

~~TOP SECRET~~ MOSCOW No 807 of 28 Aug 85

B 5
ANNEX G

TOP SECRET ADDRESSEE ONLY P5 DECRYPTER YOURSELF
PLEASE PASS FOLLOWING PERSONAL FOR LLEWELLYN-SMITH FROM HMA
MIR: HETMAN: PAPER FOR THE SECRETARY OF STATE

1. SINCE THE REVIEW OF POLICY CONDUCTED IN THE AUTUMN OF 1983, HMG HAVE INVESTED CONSIDERABLE EFFORT, WITH SIGNIFICANT SUCCESS, IN ESTABLISHING A WORKING RELATIONSHIP WITH THE SOVIET LEADERSHIP. WE HAVE BEEN IMPELLED BY 3 ARGUMENTS

- A) THE NEED FOR OPPORTUNITIES BOTH TO IMPROVE OUR UNDERSTANDING OF THE POLICIES AND CONCERNS OF THE SECOND SUPER-POWER, AND ESPECIALLY TO IMPRESS OUR OWN UPON THEM
- B) DIRECT EXPOSURE TO THE SOVIET LEADERSHIP IS ESSENTIAL IF WE ARE TO MAINTAIN OUR CREDENTIALS IN THE INNER COUNSELS OF THE FREE WESTERN WORLD
- C) ANGLO-SOVIET TRADE, THOUGH NOT LARGE OVERALL, IS OF CONSIDERABLE IMPORTANCE TO CERTAIN BRITISH FIRMS AND IN CERTAIN GEOGRAPHICAL AREAS, AND THERE IS A POLITICAL AND ECONOMIC REQUIREMENT TO MAXIMISE OUR OPPORTUNITIES.

2. ALL THREE ARGUMENTS HAVE LONG-TERM VALIDITY BUT ARE OF PARTICULAR IMPORTANCE NOW, AT THE OUTSET OF GORBACHEV'S REGIME, AND WHEN MAJOR IMPORT DECISIONS FOR THE 1986-1990 FIVE YEAR PLAN ARE PENDING. THE WORKING REALTIONSHIP ALREADY /ESTABLISHED

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/ESTABLISHED AT THE TIME OF GORBACHEV'S VISIT TO THE UK IN DECEMBER 1984 GAVE US A FLYING START. IT IS ESSENTIAL TO PRESERVE THIS ADVANTAGE AND TO MAINTAIN THE POLICY OF DIALOGUE, IN PURSUIT OF THE LONG-TERM SECURITY (IN THE WIDER SENSE OF THE WORD) AND ECONOMIC INTERESTS OF THE UK.

3. NONE OF THIS MEANS THAT WE SHOULD AT ANY TIME BE PREPARED TO JEOPARDISE OUR SECURITY (IN THE NARROWER, 'INTELLIGENCES', SENSE): ON THE CONTRARY, OUR IMMEDIATE SECURITY INTERESTS MUST ALWAYS ENJOY PRIMACY IN ANY SITUATION WHERE THE 2 OBJECTIVES ARE POTENTIAL LY IN CONFLICT,, IN PRACTICE, HOWEVER, THE AREAS AND OCCASIONS OF SUCH CONFLICT CAN BE LIMITED: IN PARTICULAR, BOTH SIDES CAN IN CERTAIN CIRCUMSTANCES HAVE AN INTEREST IN INSULATING THE PURSUIT OF THEIR LARGER OBJECTIVES FROM THE IMPACT OF PUBLIC QUARRELS OCCASIONED BY SOVIET ESPIONAGE ACTIVITIES AND OUR RESPONSE TO THEM. BUT THE EFFECTIVE MAINTENANCE OF THIS INSULATION REQUIRES A CONSCIOUS EFFORT BY BOTH SIDES.

4. IN THE PRESENT INSTANCE, THE RUSSIANS ARE REALIST ENOUGH TO EXPECT US TO TAKE VIGOROUS ACTION ON THE BASIS OF HETMAN'S REVELATIONS TO US. THE NATURE AND STRENGTH OF THEIR REACTION WILL DEPEND ON HOW FAR WE CAN CONVINCED THEM THAT WE NEVERTHELESS HAVE NOT ABANDONED THE LARGER OBJECTIVES OF A SUSTAINED DIALOGUE WITH THEM. HERE, THE QUESTION OF CEILINGS ON EMBASSY PERSONNEL IS OKF KEY SIGNIFICANCE: THE MAINTENANCE OF A VIABLE SOVIET EMBASSY IN LONDON (AS OF A VIABLE BRITISH EMBASSY IN MOSCOW) IS BOTH AN ESSENTIAL PIECE OF MACHINERY FOR THE CONDUCT OF THAT DIALOGUE, AND A SYMBOL OF OUR DESIRE FOR IT. THIS FACTOR GIVES US A POSSIBLE CHANCE TO RESOLVE THE POTENTIAL CONFLICT BETWEEN OUR IMMEDIATE REQUIREMENTS (ACTION ON HETMAN) AND OUR LONG-TERM REQUIREMENTS (PRESERVATION OF DIALOGUE): VIGOROUS, CLEAR-CUT, PUBLIC ACTION AGAINST /THE

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/THE SOVIET ESTABLISHMENT IN LONDON - IE THE EXPULSION OF UP TO 25 - OFFSET BY A DECISION TO RAISE THE SOVIET DIPLOMATIC CEILING, ON A PERMANENT BASIS, TO 46 WHILE CONTINUING TO OPERATE THE DOWNWARD RATCHET ON THE OVERALL SOVIET CEILING.

5. CONTINUED OPERATION OF THE RATCHET WHICH HAS APPLIED SINCE 1971 ON THE SOVIET DIPLOMATIC CEILING WAS IN ANY CASE NOT A VIABLE OPTION SINCE IT WOULD HAVE LED INEXORABLY TO THE TOTAL ELIMINATION OF THE SOVIET EMBASSY WITHIN THE FORESEEABLE FUTURE. THE HETMAN CASE GIVES US THE OPPORTUNITY TO PLAY TO MAXIMUM EFFECT THE CARD OF GIVING UP THAT UNTENABLE OPTION: WHAT AT ANY OTHER TIME WOULD LOOK LIKE WEAKNESS, CANNOT BE SO DESCRIBED IF WE ARE SIMULTANEOUSLY EXPELLING 25: CONVERSELY, TO THE RUSSIANS IT WILL APPEAR AS A CLEAR SIGNAL OF OUR READINESS FOR A WORKING RELATIONSHIP WITH THEM.

6. ACTION ON THE ABOVE LINES CONSTITUTES OUR BEST CHANCE OF MEETING ALL OUR OBJECTIVES. GORBACHEV MAY HAVE HIS OWN REASONS FOR MUTING THE SOVIET RESPONSE, IF HE CAN CONTAIN THE KGB. IN SO FAR AS HE HAS DEVELOPED A DISTINCTIVE LINE IN FOREIGN POLICY, IT CONSISTS IN A RELATIVELY EMOLLIENT LINE TOWARDS WESTERN EUROPE, WITH A VIEW TO WEDGE-DRIVING BETWEEN THE EUROPEANS AND THE UNITED STATES PARTICULARLY DURING THE RUN-UP TO THE NOVEMBER SUMMIT. GORBACHEV MAY CONSIDER THAT THESE OBJECTIVES REQUIRE HIM TO PLAY HIS PART IN INSULATING THIS OVERALL RELATIONSHIP WITH US FROM THE CURRENT STORM ON THE INTELLIGENCE FRONT. IF SO, HE MIGHT MINIMISE RETALIATORY ACTION IN ORDER TO INCREASE THE CHANCES THAT THE STORM WILL QUICKLY BLOW OVER AND DO AS LITTLE DAMAGE AS POSSIBLE TO THE SOVIET UNION'S INTERNATIONAL IMAGE. IF THERE IS A POSSIBILITY THAT HE MIGHT REACT ON THESE LINES, THE CARROT AND STICK APPROACH RECOMMENDED ABOVE, /WOULD

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/WOULD, IN MY VIEW, MAXIMISE IT.

7. PAST EXPERIENCE AND PAST HISTORY NEVERTHELESS COMPEL ONE TO MAKE A LESS OPTIMISTIC PROGNOSIS. IT IS PRUDENT TO ASSUME THAT THERE WILL BE RETALIATION AGAINST THE BRITISH COMMUNITY IN MOSCOW, ON A SCALE PROPORTIONATE TO THE SEVERITY OF THE ACTION TAKEN IN LONDON. HIGH-LEVEL EXCHANGES NOW IN THE PIPE-LINE COULD BE CALLED OFF BY THE RUSSIANS. THE VISIT BY THE SECRETARY OF STATE FOR SCOTLAND (15-19 SEPTEMBER) IS HIGHLY VULNERABLE, BECAUSE OF ITS TIMING AND BECAUSE THE RUSSIANS WILL CALCULATE THAT CANCELLATION WILL HURT US IN TRADE TERMS AS WELL AS BEING POLITICALLY SYMBOLIC. † SHEVARDNADZE'S VISIT TO THE UK COULD BE FURTHER POSTPONED. EVEN THE IPU VISIT TO BE LED BY LORD WHITELAW NEXT SPRING COULD BE AT RISK, THOUGH THIS IS LESS LIKELY. MOST DAMAGING OF ALL, BRITISH BIDS FOR CONTRACTS WORTH HUNDREDS OF MILLIONS OF POUNDS COULD BE RULED OUT, CONDEMNING US TO A DISAPPOINTING EXPORT PERFORMANCE HERE THROUGHOUT THE PERIOD 1986-90. HMG COULD IN THESE CIRCUMSTANCES BE VULNERABLE TO CRITICISM FOR APPEARING TO SCUTTLE THE BILATERAL SHIP JUST AS IT WAS GETTING UNDER WEIGH AFTER SUCH A SUCCESSFUL LAUNCH IN DECEMBER 1984. SUCH CRITICISM COULD MORE READILY BE REBUTTED IF THE DIPLOMATIC CEILING IS RAISED THAN IF THAT PRONG OF OUR APPROACH IS REMOVED.

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† So is the Anglo-Soviet Joint Commission due to be held in London on 31 October - 1 November (chaired by Mr Channon).

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ON THE RECORD STATEMENT

1. The Soviet Charge d'Affaires ad interim, Mr Lev Parshin, was summoned to the Foreign and Commonwealth Office at 1730 today by Mr Derek Thomas the Political Director.
2. Mr Parshin was told that the Soviet action in expelling 25 British journalists, businessmen and Embassy staff was a totally unjustified response to the British Government's expulsion of Soviet personnel who had been actively engaged in intelligence activities designed to undermine the national security of the United Kingdom. He told Mr Parshin that the Government could only see the Soviet action as an unwarranted victimisation of innocent people, which the British Government were not prepared to accept.
3. Mr Parshin was therefore told that 6 Soviet citizens must leave the country by Monday 7 October. There was incontrovertible evidence provided by Mr Gordievsky that all these persons had been concerned in the unacceptable activities of the Soviet Intelligence Services in the UK. The overall ceiling on the number of Soviet officials in the UK would be correspondingly reduced from 211 to 205.
4. Mr Parshin was told that the British Government had worked hard to improve UK/Soviet political and commercial relations, and would continue to do so. But the unjustified Soviet action on Saturday afternoon could not but set back that process.

LIST OF THOSE EXPELLED

1. YEVGENIY ILICH SAFRONOV (37) Arrived UK 1.8.80
FIRST SECRETARY, Soviet Embassy. Diplomat.
Wife : Yelena Vasilyevna
1 son (9)

2. Col VICTOR ALEKSANDROVICH MISHIN (42) Arrived UK 7.8.84
ASSISTANT AIR ATTACHE, Soviet Embassy. Diplomat.
Wife : Zhanna Ivanovna
1 son (12)
1 daughter (17)

3. VIKTOR VASILYEVICH DARANOV (40) Arrived UK 18.10.83
CLERK, Soviet Embassy
Wife : Tatyana Ivanovna
1 son (14)

4. ALEKSANDR IVANOVICH YEROKHIN (40) Arrived UK 29.12.84
CLERK, Service Attache's Office, Soviet Embassy
Wife : Tatyana Alekseyevna
1 daughter (11)

5. IVAN IVANOVICH VIKULOV (47) Arrived UK 11.9.84
DIRECTOR, Anglo Soviet Shipping
Wife : Lidiya Ivanovna

6. SERGEY ALEKSANDROVICH VOLOVETS (47) Arrived UK 7.2.83
Correspondent for NOVOSTI
Wife : Olga Vladimirovna
1 daughter (25)
Twin daughters (24)