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Foreign Policy

21 July, 1980

Herr Axen

The Prime Minister has seen your letter to me of 18 July about the proposed visit to London by Herr Axen of the GDR Politburo. The Prime Minister would not be prepared to receive Herr Axen.

I am sending a copy of this letter to Stuart Hampson, (Department of Trade).

M. O'D. B. ALEXANDER

Paul Lever, Esq
Foreign and Commonwealth Office

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NO

ms.



Prime Minister ①

Foreign and Commonwealth Office

Apa, in principle, to see
Herr Axen?

London SW1A 2AH

Phd 18/7

18 July 1980

Dear Michael,

The GDR Ambassador in London has told us that Herr Axen, senior GDR Politburo member responsible for foreign affairs, has accepted HMG's invitation to visit the UK and is ready to discuss dates. However, he also made it clear that his authorities would first like to know whether the Prime Minister would be receiving Herr Axen during his visit.

The Foreign and Commonwealth Secretary recommends that the Prime Minister should in principle receive Herr Axen. Despite his cumbersome title he equates with a senior Cabinet Minister and is in practice much more important than the titular Foreign Minister. He visited France in 1977, where he was received by M. Barre. It would therefore be appropriate for the Prime Minister to see him, if at the time she were in London.

A key consideration is the link which the GDR, in common with other East European countries, makes between political and trade relations with Western countries; the first is largely a determinant of the second. We are making a major effort to improve our hitherto disappointing trade performance with the GDR, with promising results to date. In March, GKN signed the first major contract to be awarded by the GDR to a British firm for some years. Significantly, the deal was concluded during a visit to Leipzig Fair by Mr Parkinson, and GDR officials later said that the political symbolism of the Minister's visit, in the post-Afghanistan atmosphere, had been noted by their side. During a visit to this country in June by their State Secretary responsible for Foreign Trade, we received clear assurances that the GDR is interested in developing bilateral trade. Dr Beil told Mr Blaker that for political and economic reasons, the GDR wishes to decrease its dependence on the FRG and to develop new contacts with France and the UK. France has already pursued a policy of high level bilateral political visits to and from the GDR and is reaping commercial benefit: if we do not take advantage of this opportunity, our French competitors most certainly will.

Trade figures for the first five months of 1980 show an improvement in our trade balance with the GDR, (despite some distortion introduced by irregular movements of silver). Figures are (in £ million):-

	1978	1979	First five months of 1980
UK exports	47.4	58.2	51.6
UK imports	88.4	111.7	47.2

British companies are currently at various stages of negotiation with the GDR over contracts worth more than £500 million, more /than

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than with any other Eastern European country and, excluding the USSR, probably more than in the whole of the rest of Eastern Europe. Barring a major downturn in the GDR's economy and doubts about its credit worthiness, which we would discount, the contracts now under discussion can be regarded as the precursors of considerable growth in export opportunities in the future.

The sectors of industry in which the GDR has the greatest interest in expanding its trade include the process plant, heavy engineering and automotive industries where few other countries are buying at present and where British industry is consequently badly in need of the stimulus of major new contracts.

In view of the above, Lord Carrington considers that agreement by the Prime Minister to receive Herr Axen for a short courtesy call could pay substantial dividends in terms of improved commercial prospects for British industry in the GDR. A call would also, of course, offer an opportunity to put across the UK position on East/West relations forcibly to a key politician in what is arguably now the Soviet Union's key ally.

I am sending a copy of this letter to Stuart Hampson (Dept of Trade).

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

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18 JUL 1980