

PRIME MINISTER

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EAST/WEST RELATIONS

You will recall that there was a somewhat confused discussion this afternoon, during the briefing for your visit to Bonn, about the present situation regarding the "non-paper" on East/West relations.

I believe that the discussion would have taken a quite different course if Lord Cockfield had been able to be present. I know that he was directly consulted about our approach to this question and agreed with the line the Foreign Secretary was taking.

The Foreign Office are reluctant to circulate a paper to Cabinet for the, I think, good reason that much of the discussion recently has been in the secret quadripartite forum, but I have agreed with them that:

- (a) the Foreign Secretary will give Cabinet a general brief on the stage reached;
- (b) Lord Cockfield will make it plain that he was fully in the picture;
- (c) that the Foreign Secretary will be advised to circulate tomorrow to those Ministers immediately concerned a brief note on the state of play which will reassure them that no firm commitments have been made.

As I understand it, the present exercise is very tentative and is very much ad referendum. *The latest version of the "non paper" is attached.*

I hope that this will suffice for tomorrow. I am sure that a proper Ministerial discussion will be necessary in due course but my impression is that there are no matters requiring Ministerial decision at the moment.

27 October 1982

ASC

TEXT OF REVISED US PAPER DISCUSSED ON 24/10/82

1. Our governments recognise the necessity of conducting their relations with the USSR on the basis of a global and comprehensive policy designed to serve our own fundamental security interests. They are particularly conscious of the need for a common approach in the economic field, where actions must be coordinated within the framework of their global strategy. 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. They agree that 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 which contribute to the military capabilities of the USSR.
- that it is not in their interest to subsidise the Soviet economy: trade should be conducted in a prudent manner without preferential treatment.
- that they will take no steps that weaken the strategic position of the West.
- that it is not their purpose to engage in economic warfare against the Soviet Union. Trade with the Soviet Union and Eastern Europe should proceed on the basis of a strict balance of advantages and obligations.

They agree to examine thoroughly 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. 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, recognising the different political and economic conditions that prevail in each of these countries.

This overall analysis will touch in particular on the following areas:

- strategic goods and technology of military significance (COCOM);
- high technology of possible strategic importance including oil and gas equipment;

credit policy;  
 energy;  
 agricultural products.

In the field of energy, the European governments, as they are heavily dependent on imports of energy, will initiate a study of projected European energy requirements over the next decade and beyond and possible means of meeting those requirements. The United States will participate in this study. It will be prepared under the auspices of the OECD.

3. As an immediate decision <sup>and</sup> ~~the~~ following decisions already made, they have agreed on the following:

(a) They will work together within the framework of the Coordinating Committee (COCOM) to protect the contemporary security interests of the Alliance. The list of strategic items would be evaluated and, if necessary, adjusted. This objective will be pursued at the COCOM review now under way. They further agree to 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 Allies are agreed on the need to establish without delay the necessary mechanism for this purpose. [Having in mind the objective of not subsidising the Soviet economy, Allied governments will also establish the means to harmonise national policies with respect to the extension of credits, covering interest rates, maturities, down payments, and fees.]

(c) [During the course of the study on energy, Allied governments will not approve new contracts with the Soviet Union for the purchase of natural gas for which negotiations have not been concluded.]

(d) [Allied governments agree to examine immediately whether their security interests require controls on the export to the Soviet Union and Eastern Europe of strategically significant advanced technology and equipment, to be jointly determined, but including technology with direct application to the oil and gas sector. Any actions would be agreed upon and implemented within a framework to be agreed.]'