



10 DOWNING STREET

THE PRIME MINISTER

4 February 1980

CF to nbe

Soviet
Union

Original RH
G/R

CCOT

FCO

DI

Dear Mr. Hornsby,

Thank you for your recent telex about export credit support for trade with the Soviet Union. I understand your concern about the possibility of officially backed export credit being withdrawn for trade with the Soviet Union. I can assure you that this is not what the Government has in mind.

You will have seen from the Foreign and Commonwealth Secretary's statement of 24 January that we do not intend to renew the Anglo-Soviet Credit Agreement which expires on 16 February. This is because the terms of the Agreement are too favourable to the Soviet Union, allowing interest rates lower than those extended to countries in a similar position. We cannot continue to subsidise trade with the Soviet Union in this way, particularly in present circumstances. But this does not mean that we want to deny credit for such trade or put UK firms at a competitive disadvantage in any other way.

In deciding what arrangements should follow the expiry of the present agreement, our aim is as far as possible to move in concert with other Western countries. We feel very strongly, and are urging on other Western countries, that it is in the general interest for all of us to adhere to the terms of the OECD Consensus on export credit. In keeping with this Consensus, even without a new credit agreement, we therefore expect to be in a position for the Export Credits Guarantee Department (ECGD) to continue to consider credit support on a case-by-case basis.

/I suggest

I suggest that your Association should contact the Export Credits Guarantee Department if you wish to discuss the position on particular contracts.

Yours sincerely
Rogers

H Hornsby Esq

Director-General Process Plant Assoc.

file

Original in G/R

cc F20

D/Tr

Const.

CF6 n86

Soviet
Union

31 January 1980

Thank you for your letter of 15 January, with which you enclosed a telegram from Mr. P.W. Greenwood, the Managing Director of Molins Ltd., Evelyn Street, Deptford, London, SE8, about credit support for trade with the Soviet Union. I understand the concern you and Mr. Greenwood have felt about the possibility that officially-backed credit might be denied for trade with the Soviet Union but I can assure you that this is not what the Government has in mind.

As Ian Gilmour announced in the House on 24 January, we do not intend to renew the Anglo-Soviet Credit Agreement which expires on 16 February. This is because the terms of the Agreement are too favourable to the Soviet Union, allowing interest rates lower than those extended to countries in a similar position. We really cannot continue to subsidise trade with the Soviet Union in this way, particularly in present circumstances. But this does not mean that we want to deny credit or put UK firms at a competitive disadvantage in any other way. As Ian Gilmour told you in the House, it is not our intention to hurt ourselves or firms like Molins.

In deciding what arrangements should follow the expiry of the present agreement, our aim is as far as possible to move in concert with other Western countries. We feel very strongly, and will urge on these other countries, that it is in the

/general

25

general interest that all should adhere to the terms of the OECD Consensus on credit. In keeping with this Consensus, even without a new credit agreement with the Soviet Union, we expect to be in a position for the Export Credits Guarantee Department (ECGD) to offer case-by-case credit. I suggest that Mr. Greenwood contacts ECGD about support for new business as soon as he has specific cases to put forward.

(SGD) MARGARET THATCHER

The Rt. Hon. R.J. Mellish, MP.