

SECRET

27687 - 1

OO WASHINGTON

GRS 495

SECRET

FM FCO 111926Z MAR 82

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 483 OF 11 MARCH

INFO UKDEL NATO, UKREP BRUSSELS

SAVING TO PARIS, BONN, ROME

FOLLOWING IS THE TEXT OF A LETTER TO ME FROM HAIG RECEIVED TODAY.

DEAR PETER,

IN HIS LETTER TO PRIME MINISTER THATCHER, PRESIDENT REAGAN COMMUNICATED OUR CONCERN REGARDING THE MANNER IN WHICH THE WESTERN DEMOCRACIES HAVE BEEN PROVIDING INCREASING VOLUMES OF SUBSIDISED OFFICIAL CREDITS AND CREDIT GUARANTEES TO THE SOVIET UNION. IT IS BECOMING INCREASINGLY CLEAR THAT THE COMPETITIVE GRANTING OF CREDITS TO THE SOVIET UNION RUNS COUNTER TO THE LONG-TERM SECURITY INTERESTS OF THE WEST. THE RECENT SOVIET-BACKED REPRESSION IN POLAND, CONTINUED AGGRESSIVE SOVIET ACTIONS IN OTHER AREAS OF THE WORLD, INCLUDING AFGHANISTAN, AND MOUNTING EVIDENCE OF A HARD CURRENCY CREDIT SQUEEZE WITHIN THE SOVIET BLOC, WHICH RAISES SERIOUS QUESTIONS ABOUT SOVIET CREDITWORTHINESS, ALL MAKE CLEAR THAT WE MUST ACT EXPEDITIOUSLY TO DEVELOP A COMMON WESTERN STRATEGY. AS THE PRESIDENT NOTED IN HIS LETTER, HE HAS ASKED UNDER SECRETARY OF STATE JAMES L. BUCKLEY TO HEAD AN INTERAGENCY MISSION WHICH WILL VISIT WESTERN EUROPE, MARCH 13-20, TO INITIATE WHAT WE HOPE WILL BE SPEEDY ACTION ON THIS PROBLEM.

THE PRIMARY PURPOSE OF THE MISSION OF UNDER SECRETARY BUCKLEY AND OTHER SENIOR ADMINISTRATION OFFICIALS WILL BE TO CONSULT WITH SENIOR OFFICIALS OF YOUR GOVERNMENT ON HOW WE SHOULD JOINTLY ACT TO OVERCOME THE SERIOUS DANGERS IN THE CURRENT SITUATION. THE MISSION MEMBERS WILL WANT TO DISCUSS THE TECHNIQUES WE CAN USE TO CONTROL THE FLOW OF OFFICIAL WESTERN CREDITS AND CREDIT GUARANTEES TO THE SOVIETS. FOLLOWING THE OTTAWA SUMMIT, AND SPURRED BY THE JANUARY HIGH-LEVEL MEETING IN PARIS, WE ARE MAKING PROGRESS IN THE AREA OF HIGH TECHNOLOGY

1

SECRET

SECRET

27687 - 1

CONTROLS WITHIN THE COCOM FRAMEWORK. A SIMILAR CONSULTATIVE PROCESS CAN LEAD TO A NECESSARY RETHINKING OF OUR APPROACH ON CREDITS. THE ABSENCE OF A MECHANISM FOR CREDIT RESTRAINT HAS CONTRIBUTED TO MAKING THE CREDIT PROBLEM SO SERIOUS.

FINALLY, LET ME EMPHASISE MY HOPE THAT WE CAN MOVE RAPIDLY AND IN CONCERT ON THIS ISSUE. TIME IS PRESSING. PRESIDENT REAGAN HAS DEFERRED HIS DECISION ON THE APPLICABILITY OF THE DECEMBER 30 SANCTIONS ON OIL AND GAS EQUIPMENT EXPORTS TO THE SOVIET UNION PENDING AN ASSESSMENT OF THE RESULTS OF THE BUCKLEY MISSION. IT IS MY HOPE THAT OUR CONSULTATIONS WILL RESULT IN THE DEVELOPMENT OF A COHERENT AND COORDINATED WESTERN STRATEGY FOR OUR DEALINGS WITH THE SOVIET UNION ON THE SO FAR NEGLECTED CREDIT FRONT. THE DECISION BY EC FOREIGN MINISTERS TO SEEK AN INCREASE IN THE OECD CONSENSUS EXPORT INTEREST RATE APPLIED TO THE SOVIETS IS AN IMPORTANT STEP ALONG A PATH THAT WE MUST TRAVEL FURTHER. COORDINATION AND RESTRAINT OF WESTERN CREDITS WOULD CLEARLY REINFORCE OUR OVERALL COOPERATION ON EAST-WEST ECONOMIC RELATIONS. IT IS MY HOPE THAT YOUR GOVERNMENT WILL APPROACH THE TALKS WITH UNDER SECRETARY BUCKLEY AND HIS COLLEAGUES WITH THIS COMMON OBJECTIVE IN MIND.

SINCERELY

ALEXANDER M. HAIG, JR.

CARRINGTON

POLAND SPECIAL  
STANDARD

EEED  
CSCE UNIT  
NAD  
SEED  
WEB  
BCD (E)  
ESID  
FED  
CAD  
SAD

UND  
TUPED  
BRD  
SEC D  
OLA  
CONS D  
CONS EM UNIT  
CABINET OFFICE

ADDITIONAL DISTR.  
POLAND SPECIAL

[COPIES SENT TO NO 10 DOWNING ST]

2  
SECRET