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me in 3A12
call

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

6 February 1989

Dear Jeremy,

VISIT OF MR. KAMENTSEV

Mr. Kossov of the Soviet Embassy came down to see me at short notice this evening in connection with Mr. Kamentsev's visit. He said that he had come direct from a briefing meeting with Mr. Kamentsev at the Embassy. What Mr. Kamentsev had said was rather different from the steer which the Soviet Embassy had given us about his visit, in particular in relation to the Soviet attitude to the offer of credit by British banks.

Mr. Kossov continued that the reaction of Soviet bureaucrats to our proposed credit had been negative, on the grounds that the Soviet Union was already too indebted. But the mood seemed to have changed in Moscow after Mr. Kamentsev had been to see Gorbachev to discuss his visit. The Soviets now wanted to sign a paper during Mr. Kamentsev's visit of a sort similar in nature to one recently signed with France. He described it as a Protocol of Intent on Credit Arrangements. He handed over a text in Russian, which I have already sent you for translation. The document would specify the broad areas of agreement already reached between the Soviet Bank of External Trade and British banks on credit arrangements and confirm the basic principles of these arrangements, without mentioning a specific amount. If we were agreeable, it might be signed in the presence of Lord Young and Mr. Kamentsev by representatives of the British banks and of the Soviet Bank of External Trade. The basic reasons for signing such a document were political, to help create a good climate for Gorbachev's visit and to show that Britain was not lagging behind the Soviet Union's other main trade partners in Western Europe. However, if we were not in favour of such a document, no offence would be taken.

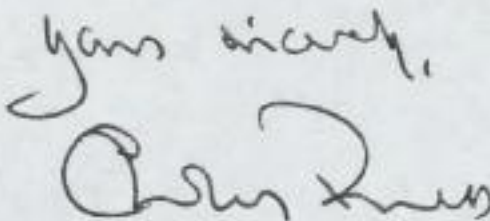
Mr. Kossov went on to say that Mr. Kamentsev had commented that the credit arrangements were important because he expected to sign almost £0.5 billion of contracts with British companies in the next two days. There was, in addition, some £700-800 million of business in the pipeline, where the bids of British companies seemed to be competitive.

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I said that I would inform the DTI and FCO immediately and get the document translated. I added that the news about contracts would be very welcome, if confirmed. But these were all matters to be discussed by Mr. Kamentsev and Lord Young tomorrow.

You will no doubt let me know, following Lord Young's meeting with Mr. Kamentsev tomorrow morning, if there are additional points which you wish the Prime Minister to make in her own meeting with Mr. Kamentsev.

I am copying this letter to Richard Gozney (Foreign and Commonwealth Office) and Carys Evans (Chief Secretary's Office).

Yours sincerely,


C.D. POWELL

Jeremy Godfrey, Esq.,
Department of Trade and Industry.