

NOTE FOR RECORD

Copies to The Governor  
The Deputy Governor  
Mr Loehnis o/r  
Mr Balfour  
Mr Holland  
Mr P J Bull o/r/  
Mr L F T Smith

## MACKWORTH-YOUNG'S MESSAGE FROM MOSCOW

Mr Mackworth-Young called on the Governor this afternoon at his own suggestion to report a conversation that he had had with Alkhimov and Pekshev while recently leading a trade mission to Moscow. The mission had visited the State Bank. At the end of the visit Mackworth-Young had been taken in alone to see Alkhimov and Pekshev. He was immediately engaged in what he called a high level central banking/diplomatic conversation, the contents of which he was evidently intended to relay to the Governor.

The first part of the message was that Alkhimov was very much hoping to see the Governor in the near future to discuss his concerns. It was, Alkhimov had said, the Governor's "turn" to visit Moscow, but he quite understood the difficulties this would present for him in present circumstances. The second part, and the matter he evidently wished to discuss with the Governor, was what Mackworth-Young thought was an honest belief that the USSR was being quite unjustifiably threatened (in an economic sense) by the USA. The conversation had been studded with references to the USSR being "threatened". Pekshev had said that he believed that the Americans were disappointed that the Russians had not intervened in Poland and so denied them a better stick to beat the Russians with.

Mackworth-Young said that he had the impression that Alkhimov and Pekshev were really rather worried men who felt put upon by the Americans, wanted to find a way out of their difficulties and hoped or believed that the financial mechanism of the UK could help them against what they saw as unjustified attacks from the US. They



seemed to think that the UK, and the Governor in particular, could act as a referee, and persuade the Americans of the wrong-headedness of their present attitudes. They were plainly very concerned at the rate of depletion of the USSR's hard currency reserves. The thought was clearly going through Alkhimov's mind that the USSR might not be able to meet its hard currency obligations. Certainly he feared that if the supply of western credit was squeezed there would be even less prospect of improving the Soviet standard of living. Alkhimov had readily admitted that the 1981 harvest had been a total disaster. Mackworth-Young had got the impression that it was worse than the official figures suggested.

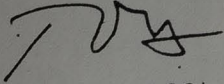
In parentheses, Mackworth-Young said that he had told them that he believed there were two great misunderstandings between the US and the USSR. The US did not understand the Russians' passion for security and the USSR did not understand the Americans' passion for freedom, both for themselves and for others.

The conversation, Mackworth-Young went on, had been almost entirely about the USSR itself. Poland was introduced because it was immediately relevant. In addition to the remark noted earlier, Alkhimov had maintained that the USSR had had to react as it had done since it could not possibly have connived at what had seemed likely to be the imminent collapse of the Polish state. The Russians, Alkhimov had said, had great admiration for the courage of the Poles - "they are as brave as lions, but they won't work". Alkhimov had said nothing about the bloc more generally or about Romania. (Neither the Governor nor Mackworth-Young mentioned Hungary at any point).

In conclusion Mackworth-Young mentioned that he had made a report of the conversation to our Ambassador in Moscow.

1+T Gimlets

31.3.84

  
Governor's Office HO-P  
22 March 1982  
T E Allen (4421)



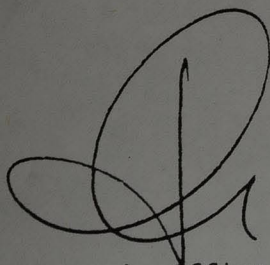
22. 3.82

THE GOVERNOR

Bill Mackworth-Young telephoned this morning. He has just returned from leading a trade mission to Moscow.

During the mission he was deliberately taken to one side to talk to the President and Deputy of the State Bank. Mackworth-Young was told that the State Bank was disappointed that the Governor was still unable to accept their (standing) invitation to travel to Moscow. Briefly, during the course of the conversation, the Russians said they felt threatened by the whole Western financial machine. It was clear to Mackworth-Young that they wished the conversation to be reported in full to you. Mackworth-Young wishes to know whether and when you would like a further briefing.

Would you like me to arrange a mutually convenient time?



Governor's Office HO-P  
22 March 1982

A J V Giles (4421)

I+T Giles

31.8.84.