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PREM 19/274

PART 4
SECRET

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Internal Situation.
USA/Iranian Relations following the taking
of hostages at the US Embassy in Tehran.
Sanctions against Iran.

IRAN

Part 1: May 1979

Part 4: January 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
13.1.80							
14.1.80							
15.1.80							
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8.2.80							
30.1.80							
ends							

PREM 19/274

For papers on Defence Sales
to Iran; see 1—

DEFENCE : June 1979

PART 4 ends:-

Tehran 107 30.1.80

PART 5 begins:-

Washington 537 1.2.80

IRAN: ADVANCE COPIES 43

Iran

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 PS/MR HURD
 PS/PUS
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 LORD BRIDGES
 MR EVANS
 MISS BROWN
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 RESIDENT CLERK

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 MR P G FOWLER R 217)
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Lord H G Hancock

GR 420

CONFIDENTIAL

FM TEHRAN 301105Z JAN 80

TO PRIORITY FCO

TELEGRAM NUMBER 107 OF 30 JANUARY

INFO PRIORITY WASHINGTON AND UKMIS NEW YORK

INFO ROUTINE EEC POSTS, BAGHDAD, KUWAIT, BAHRAIN, JEDDA, ABU DHABI, MUSCAT, DUBAI, ISLAMABAD, NEW DELHI, KABUL AND MOSCOW.

MIPT: THE PRESIDENT OF IRAN.

1. A RIFT SEEMS ALREADY TO BE DEVELOPING BETWEEN BANI SADR
IN HIS ROLE AS PRESIDENT-ELECT AND THE RELIGIOUS MEMBERS
OF THE REVOLUTIONARY COUNCIL HEADED BY BEHESHTI. IN HIS FIRST
 STATEMENTS TO THE PRESS AFTER HIS ELECTION, BANI SADR SPOKE OF
 THE NEED FOR EARLY ELECTIONS TO THE ASSEMBLY, IN ORDER THAT
 HIS GOVERNMENT COULD BE QUICKLY FORMED, BUT ALSO OF HIS INTENTION
 TO FORM A GOVERNMENT EVEN IN ADVANCE OF THE ELECTIONS, IF THEY
 WERE UNDULY DELAYED. HE HAS ALSO SPOKEN OF TAKING THE OATH
 OF OFFICE BEFORE THE IMAM, DESPITE THE CONSTITUTIONAL PROVISION
 THAT IT SHOULD BE TAKEN IN THE ASSEMBLY, ON THE GROUNDS THAT
 NO ASSEMBLY EXISTS.

OF OFFICE BEFORE THE IRAM, DESPITE THE CONSTITUTIONAL PROVISION THAT IT SHOULD BE TAKEN IN THE ASSEMBLY, ON THE GROUNDS THAT NO ASSEMBLY EXISTS.

2. FOR THEIR PART THE RELIGIOUS MEMBERS OF THE REVOLUTIONARY COUNCIL, NO DOUBT ANXIOUS TO PROLONG THEIR OWN TERM OF OFFICE AND TO USE THE DELAY TO WEAKEN BANI SADR, ARE ARGUING THAT HE MUST AWAIT THE ELECTION OF AN ASSEMBLY BEFORE FORMALLY TAKING THE OATH AND THAT THE ELECTIONS TO THE ASSEMBLY SHOULD NOT TAKE PLACE FOR ANOTHER MONTH. THE REGULATIONS THEY HAVE ADOPTED ALSO REQUIRE THAT THE SUCCESSFUL CANDIDATE FOR THE ASSEMBLY SHOULD RECEIVE AN ABSOLUTE MAJORITY OF THE VOTES CAST IN EACH CONSTITUENCY, WITH A RUN-OFF IN A SECOND ROUND IF NO CANDIDATE RECEIVES SUCH A MAJORITY THE FIRST TIME. THUS IRAN IS UNLIKELY NOW TO HAVE AN ASSEMBLY BEFORE THE MIDDLE OF MARCH AT THE EARLIEST. RATHER GRUDGINGLY, THE REVOLUTIONARY COUNCIL HAVE AGREED THAT THE PRESIDENT-ELECT SHOULD ATTEND THEIR SESSIONS MEANWHILE (AS BANI SADR WAS IN ANY CASE A MEMBER, IT WOULD SEEM DIFFICULT TO HAVE EXCLUDED HIM). BUT IT REMAINS TO BE SEEN WHETHER WITH HIS MASSIVE POPULAR VOTE HE WILL BE ABLE TO EXERCISE MORE INFLUENCE IN THE COUNCIL THAN HE HAS HITHERTO DONE.

3. THE RUMOUR, EMANATING FROM SOURCES CLOSE TO BANI SADR, IS THAT HE INTENDS TO APPOINT AHMED SALAMATIAN, HIS CAMPAIGN MANAGER, AS HIS PRIME MINISTER, WITH ALI REZA NOWBARI, THE GOVERNOR OF THE CENTRAL BANK, AS HIS MINISTER OF FINANCE AND THE SON OF DR KARIM SANJABI, THE NATIONAL FRONT POLITICIAN WHO WAS FOREIGN MINISTER IN FEBRUARY AND MARCH, AS FOREIGN MINISTER. BANI SADR HOWEVER HIMSELF HAS SAID THAT IT WOULD BE WISE "TO HAVE REGARD TO THE PREFERENCES OF PARLIAMENT IN NOMINATING THE FUTURE PRIME MINISTER" AND ADDED THAT HE WOULD NOT MAKE THE NOMINATION UNTIL AFTER THE ELECTIONS.

GRAHAM

NNNN

→ Iran Sifa

Iran

Extract from letter Morse to Walder (Fco) 30.1.80 recording

PMs Conversation over lunch with Signor Cossiga.

Top copy filed on Italy (Jan 80) 'visit of Cossiga!'

Iran

Signor Ruffini explained that the Italian involvement in trade with Iran was second only to that of the United States. The Italian Government had guaranteed credits for trade with Iran to the tune of 1400 billion lire, i.e. approximately £1 billion. They were, naturally, extremely reluctant to place this at risk. Signor Cossiga said that nonetheless and although the helicopters which they were contracted to supply to Iran were ready for despatch, the Italian Government intended to withhold them until the American hostages were released. Given the strength of American feeling on the subject they felt they had no choice but to act in this way. In response to a question from the Foreign and Commonwealth Secretary about penalties they might incur, Signor Cossiga said he preferred not to think about the matter. The Prime Minister stressed the importance of the British, French and Italian Governments, all of whom had similar problems, acting together on this question. Signor Cossiga agreed.

CONFIDENTIAL

30 January 1980

British Embassy, Tehran

The Prime Minister has seen and taken note of your letter to me of 28 January about the return of a small number of staff to the Embassy in Tehran. She has observed that a decision has yet to be taken about the issue of an export licence for the Kharg. No doubt you have this point much in mind.

M O'D B A

Paul Lever Esq
Foreign and Commonwealth Office

Handwritten signature or initials in the bottom right corner of the page.

[Departmental]

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IRAN ADVANCE COPIES 43

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Lord R G Hamrick

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 MR C LUCAS) ENERGY

Read in full

BT 020

CONFIDENTIAL

FM TEHRAN 290900Z JAN 80

TO PRIORITY FCO

TELEGRAM NUMBER 104 OF 29 JANUARY

INFO PRIORITY WASHINGTON AND UKMIS NEW YORK

INFO ROUTINE EEC POSTS, BAGHDAD, KUWAIT, BAHRAIN, JEDDA, ABU DHABI, MUSCAT, DUBAI, ISLAMABAD, NEW DELHI, KABUL AND MOSCOW.

MY TELNO 79 (NOT TO ALL): IRAN'S NEW PRESIDENT.

1. ABOL HASSAN BANI SADR WAS BORN IN 1931 (OR 1933: THE OFFICIAL BIOGRAPHIES DIFFER) IN A VILLAGE NEAR HAMADAN. HIS FATHER WAS AYATOLLAH SEYYED NASROLLAH BANISADR, A PUPIL OF AYATOLLAH NA'INI. EDUCATED IN HAMADAN AND TEHRAN, BANI SADR READ THEOLOGY SOCIAL SCIENCE AND LATER ECONOMICS AT TEHRAN UNIVERSITY. HE FIRST BECAME ACTIVE POLITICALLY AT THE TIME OF MOSADEQ. IN 1960 HE CAME INTO CONTACT WITH THE LATE AYATOLLAH TALEGHANI. HE WAS AN ACTIVE YOUTH LEADER FROM 1960 TO 1965 AND WAS TWICE IN PRISON. IN 1963 HE WAS ENGAGED IN THE OPPOSITION TO THE SHAH LED BY KHOMEINI. IN 1965 HE LEFT IRAN "ON THE ADVICE OF HIS FRIENDS" FOR FRANCE, WHERE HE ENGAGED IN ACADEMIC WORK, PUBLISHING MANY BOOKS ON ECONOMIC, POLITICAL, SOCIOLOGICAL AND RELIGIOUS THINGS

BOOKS ON ECONOMIC, POLITICAL, SOCIOLOGICAL AND RELIGIOUS THEMES. HE IS WIDELY RESPECTED FOR HIS LEARNING AND HAS INHERITED SHARIATI'S MANTLE AS THE THEORETICIAN OF THE REVOLUTION. HE WAS ONE OF KHOMEINI'S PRINCIPAL ADVISERS DURING THE LATTER'S PARIS INTERLUDE, AND IN FEBRUARY 1979 RETURNED WITH HIM TO IRAN AS A MEMBER OF THE REVOLUTIONARY COUNCIL. WHILE ACTIVE IN THE BACKGROUND AND AS A MEMBER OF THE ASSEMBLY OF EXPERTS, HE DECLINED ALL GOVERNMENT

POSTS UNTIL AFTER BAZARGAN'S RESIGNATION IN NOVEMBER 1979 WHEN HE BECAME MINISTER OF FINANCE AND SUPERVISOR OF THE MINISTRY OF FOREIGN AFFAIRS. HE GAVE UP, OR WAS REMOVED FROM THE SECOND PORTFOLIO, WHEN KHOMEINI FORBADE HIS ATTENDANCE AT THE SECURITY COUNCIL AT THE BEGINNING OF DECEMBER TO DISCUSS THE U.S. HOSTAGE ISSUE.

2. BANI SADR IS A SOFT-SPOKEN, BESPECTACLED, INSIGNIFICANT LOOKING MAN WHO HAS BEEN UNCHARITABLY LIKENED IN APPEARANCE TO CROUCHO MARX. IN ECONOMICS HE HAS THE REPUTATION OF BEING A FOLLOWER OF THE OTHER MARX, ALTHOUGH IT WOULD BE FAIRER TO DESCRIBE HIM AS AN EXPONENT OF A SOCIALISTIC FORM OF ISLAM, IN WHICH PRIVATE ENTERPRISE AND PRIVATE OWNERSHIP IS LIMITED, RATHER THAN PROHIBITED, WITH THE AIM OF REDUCING INEQUALITIES OF WEALTH AND INCOME AND OF BRINGING ABOUT A FAIRER AND MORE HUMANE (OR LESS EXPLOITATIVE) SOCIETY, THE WHOLE BEING WORKED OUT AND JUSTIFIED IN AN ISLAMIC FRAMEWORK. APPLYING THESE IDEAS TO IRAN HE STANDS FOR INCREASED EMPHASIS ON AGRICULTURE, WITH A VIEW TO THE MAXIMUM SELF-SUFFICIENCY, AND FOR AN "INDEPENDENT" INDUSTRY I.E. ONE BASED AS FAR AS POSSIBLE ON IRAN'S OWN RESOURCES AND SKILLS AND NOT RELIANT ON IMPORTED PARTS FOR ASSEMBLY OR IMPORTED TECHNICIANS. IF THAT MEANS LOWER STANDARDS, HE ACCEPTS IT. PRIVATE INDUSTRY IS TO BE ENCOURAGED, BUT THE OWNER MUST WORK FOR HIS LIVING AND NOT MERELY LIVE ON HIS DIVIDENDS. USURY IS TO BE ABOLISHED: INSTEAD BANKS WILL CHARGE FEES (TO COVER COSTS) ON A FIXED SCALE AND IN APPROPRIATE CASES TAKE A SHARE IN THE EQUITY (THIS HAS ALREADY BEEN INTRODUCED). ECONOMIC PLANNING WITHIN A CENTRAL FRAMEWORK IS TO BE DEVOLVED AS MUCH AS POSSIBLE TO THE PROVINCES AND POLITICAL DECISIONS ALSO ARE TO BE DECENTRALISED TO THE LOCAL COUNCILS FOR WHICH THE CONSTITUTION MAKES PROVISION. HOWEVER NONE OF THIS IS AS CLEARLY DEFINED AS IT MIGHT BE AND HE HAS BEEN CRITICISED, AS A MINISTER, FOR MAKING ILL-THOUGHT OUT GENERAL STATEMENTS E.G. ABOUT FOREIGN DEBT, WHICH HE HAS LATER HAD TO RETRACT.

3. AS AN INDIRECT DISCIPLE OF NA'INI, BANI SADR IS NOT A SUPPORTER OF VELAYAT-E-FAQIH (GOVERNMENT BY THE CLERGY).
... HE ARGUED UNSUCCESSFULLY IN THE ASSEMBLY OF EXPERTS FOR

INDEED HE ARGUED UNSUCCESSFULLY IN THE ASSEMBLY OF EXPERTS FOR A SEPARATION BETWEEN THE RELIGIOUS HIERARCHY AND THE GOVERNMENT, A POSITION FOR WHICH HE WAS CRITICISED IN THE ELECTION CAMPAIGN, DURING WHICH HE AVOIDED THE SUBJECT. HIS PRONOUNCEMENTS SINCE THE ELECTION SUGGEST HOWEVER THAT HE HAS NOT CHANGED HIS VIEW.

4. SINCE NOVEMBER BANI SADR HAS EMERGED AS A STRONG PERSONALITY, PREPARED TO STICK TO HIS PRINCIPLES EVEN AT THE COST OF APPARENT UNPOPULARITY. THE COMMUNITY AMBASSADORS ACHIEVED A GOOD RELATIONSHIP WITH HIM IN FIVE MEETINGS ABOUT THE US HOSTAGES IN NOVEMBER. HE OPPOSES VIOLENCE - "PROBLEMS WILL NOT BE SOLVED BY BULLET" - AND THOUGH LACKING IN PRACTICAL EXPERIENCE, HAS SHOWN A READINESS TO LEARN. HE IS SAID TO BE A GOOD PUBLIC SPEAKER, PARTICULARLY EFFECTIVE WITH BLUE-COLLAR AUDIENCES. HIS IMPRESSIVE ELECTION CAMPAIGN WAS ORGANISED BY A YOUNG AND ENTHUSIASTIC BODY OF DISCIPLES, MANY OF THEM EDUCATED ABROAD, INCLUDING ALIREZA NOWBARI, GOVERNOR OF THE CENTRAL BANK, AND SALAMATIAN, A DEPUTY MINISTER UNDER BAZARGAN. I SHOULD EXPECT HIS COUNCIL OF MINISTERS TO BE DRAWN MAINLY FROM THIS GROUP RATHER THAN FROM THE FAMILIAR NAMES OF RECENT MONTHS, ALTHOUGH NO DOUBT THERE WILL BE A NEED FOR SOME POLITICAL ALLIANCES AND SOME DEBTS TO BE PAID. IT IS SAID HOWEVER THAT LEFT TO HIMSELF HE WOULD BE UNLIKELY TO GIVE A JOB TO QOTBZADEH, A RIVAL FOR LEADERSHIP OF THE IRANIAN STUDENT MOVEMENT IN EUROPE IN THE 1960'S.

5. BANI SADR IS MARRIED, WITH A DAUGHTER. HE SPEAKS FRENCH FLUENTLY BUT NOT WELL AND UNDERSTANDS A LITTLE ENGLISH.

GRAHAM

NNNN

SUBJECT.

cc. *Thatcher*
SP3

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FM FCO 281200Z JAN 80
IMMEDIATE TEHRAN
TELEGRAM NUMBER 55 OF 29 JANUARY
AND TO EEC POSTS WASHINGTON

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 19A/80**

1. PLEASE PASS THE FOLLOWING TO BANI SADR FROM MRS THATCHER
AS SOON AS THE RESULT IS DEFINITELY CONFIRMED OR SOONER IF YOU
JUDGE APPROPRIATE.

BEGINS

YOUR EXCELLENCY

PLEASE ACCEPT MY SINCERE CONGRATULATIONS ON YOUR ELECTION AS
THE FIRST PRESIDENT OF THE ISLAMIC REPUBLIC OF IRAN.

ENDS

CARRINGTON

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[Copies passed to 10 Og St]

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

28 January 1980

(2)

Rmie Austin

Dear Michael,

British Embassy, Tehran

Pauls - 28/1

Sir John Graham has asked whether, now that we are unlikely to announce any sanctions against Iran of a kind which would make a public impact there, a small number of staff may return to the Embassy in Tehran to help carry the workload. The Foreign and Commonwealth Secretary would like the Prime Minister to know that he has agreed to this subject to separate consideration of each specific proposal from Sir J Graham in the light of the circumstances at the time.

Yours etc

Paul

We haven't decided about the money yet.

no.

(P Lever)
Private Secretary

M O'D B Alexander Esq
PS/No 10 Downing Street
London

CONFIDENTIAL

UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION



28 JAN 1960



Iran



Foreign and Commonwealth Office

London S.W.1

FCO. informed

Prime Minister

①

Apex text?

28 January 1980

Dear Michael, *Print - 29/1,*

Print

Print

Mr Abolhassan Bani Sadr has been convincingly elected as the first President of the Islamic Republic of Iran.

Mr Bani Sadr has shown himself aware of the Soviet threat, and appears anxious to resolve the hostages problem by arranging some means for their release.

We believe that it would help to show our support for such policies and our respect for the new Government of Iran if the Prime Minister sent a message of congratulations to President Bani Sadr. I attach a suggested text.

in Questions

I also attach a short speaking note on this on which the Prime Minister may wish to draw in the Foreign Affairs debate, along with copies of Tehran telegrams nos 87 and 89 for background (the former covering Khomeini's health, which may also come up in the debate). I suggest the proposed draft might be inserted after the third sentence of sub-paragraph (v) of the Analysis section of the latest draft of Mrs Thatcher's notes, replacing the underlined phrase about the indefensibility of the detention of the hostages and the two subsequent sentences, which could then be held in reserve to answer any direct questions from the floor about our attitude to the hostages.

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

Faint, illegible text at the top of the page, possibly a header or title.

28 JAN 1960
Circular stamp with numbers 1 through 12 arranged in a circle, possibly a clock face or a dial.

OUT TELEGRAM

Classification and Caveats

Precedence/Deskby

UNCLASSIFIED

IMMEDIATE

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1 ZCZC
2 GRS
3 UNCLASSIFIED
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5
6 FM FCO 281200Z
7 IMMEDIATE TEHRAN
8 TELEGRAM NO
9 IMMEDIATE EEC POSTS
10 IMMEDIATE WASHINGTON
11 1. Please pass the following to Bani Sadr from Mrs Thatcher
12 as soon as the result is definitely confirmed or sooner if you
13 judge appropriate.
14 Begins
15 Your Excellency
16 Please accept my sincere congratulations on your election as
17 the first President of the Islamic Republic of Iran.
18 Ends
19
20 CARRINGTON
21 NNNN
22
23
24
25

out

NNNN ends telegram	BLANK	Catchword
File number	Dept S/S OFFICE	Distribution
Drafted by (Block capitals) P LEVER		
Telephone number 233 4831		
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Jean
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OR 175
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 FM TEHRAN 270700Z JAN
 TO PRIORITY FCO
 TELEGRAM NUMBER 87 OF 27 JAN 80
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NY TELNO 82 : KHOMEINI'S HEALTH.

IT SEEMS CLEAR THAT LAST WEEK KHOMEINI SUFFERED A STROKE,
 WHICH OCCASIONED HIS TRANSFER TO HOSPITAL IN TEHRAN.
 ON INTERNAL EVIDENCE, HIS BROADCAST MESSAGE TO THE PEOPLE
 OF IRAN ON THE OCCASION OF THE ELECTION MUST HAVE BEEN
 RECORDED ON 23 OR 24 JANUARY, DISPROVING THE REPORT THAT
 HE HAD LOST THE POWER OF SPEECH. HOWEVER HE WAS DESCRIBED,

HE HAD LOST THE POWER OF SPEECH. HOWEVER HE WAS DESCRIBED, BY ONE OF HIS DOCTORS, THEN AND AGAIN ON 26 JANUARY, AS BEING IN THE INTENSIVE CARE UNIT; AND ON 26 JANUARY TWO SWISS HEART SPECIALISTS (ONE OF THEM PROF. J.L. RIVIERE, HEAD OF THE CARDIAC DEPARTMENT OF LAUSANNE HOSPITAL) WERE CALLED IN TO SEE HIM. ACCORDING TO THE PARS NEWS AGENCY THEY RECOMMENDED THAT HE SHOULD "CONTINUE THE SAME TREATMENT AND REST". THE GENERAL TONE OF ANNOUNCEMENTS IS THAT APART FROM THE NEED TO REST, HE IS IN GOOD SHAPE. WE HAVE NO MEANS OF CHECKING WHETHER THIS IS ACCURATE.

2. KHOMEINI'S REMOVAL FROM ACTIVE POLITICS EVEN IF ONLY TEMPORARY MIGHT GIVE THE NEW PRESIDENT A CHANCE TO ESTABLISH HIMSELF.

GRAHAM

NNNN

SECRET

Extract from PMs Meeting with King Hussein23
24 January 1980at 10 Downing Street 1630 hoursSubject copy filed on 'Jordan (June 1979) Visits to London by King Hussein'Iran

King Hussein said that he, in common with many other Arab leaders, had been deeply angered by the taking of hostages in Iran. As he had already noted, the Iranian Government was acting in a way alien to Muslim traditions and their own interests. The Prime Minister said that the difficulty for the West in finding a solution was that the foreign policy considerations were not necessarily the same as those relating to the hostages. Events in Afghanistan had altered the situation completely. The problem was a terrible one for President Carter. HMG had been anxious to demonstrate their support lest the Americans, in the absence of such support, should adopt a more extreme course of action. But it was difficult now to know how to help. Iran must determine her own destiny: at present there seemed to be no rhyme or reason there. King Hussein, agreeing with the Prime Minister, said that everyone in the Middle East was confused about where to take their stand on the Iranian issue. The Prime Minister said that once the problem of the hostages had been resolved it would be possible for the Governments of the free world to unify their policy towards Iran and Afghanistan.

SECRET

IRAN: ADVANCE COPIES 15

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TO IMMEDIATE FCO
TELEGRAM NUMBER 51 OF 21 JANUARY
INFO BONN, COPENHAGEN, THE HAGUE, PARIS, BRUSSELS, DUBLIN,
LUXEMBOURG, ROME, OTTAWA, UKMIS NEW YORK, WASHINGTON.

VISIT OF MR HABIB

1. PHILIP HABIB, FORMER US UNDER-SECRETARY OF STATE, VISITED JAPAN FROM 16 TO 18 JANUARY TO DISCUSS ECONOMIC SANCTIONS AGAINST IRAN AND MEASURES AGAINST THE SOVIET UNION AFTER THEIR MILITARY INTERVENTION IN AFGHANISTAN. IN DR OKITA'S ABSENCE (ACCOMPANYING THE PRIME MINISTER ON HIS TOUR OF AUSTRALIA AND NEW ZEALAND) HABIB SAW ITO, CHIEF CABINET SECRETARY AND SENIOR OFFICIALS.
2. THE TALKS APPEAR TO HAVE BEEN AN EXCHANGE OF VIEWS RATHER THAN SIMPLY A SERIES OF REQUESTS BY HABIB. THE AMERICANS REGARD THE INFORMAL PROPOSALS PUT BY CARSWELL DURING HIS DECEMBER VISIT AS STILL

ON THE TABLE. THEY HAVE ENCOURAGED THE JAPANESE NOT (REPEAT NOT) TO GO INTO DETAIL IN PRESS BRIEFINGS FOR FEAR OF REVEALING ANY DISAGREEMENTS. THE MAIN POINTS DISCUSSED WERE AS FOLLOWS.

3. IRAN. HABIB ASKED THAT JAPAN APPLY THE VETOED U N S C RESOLUTION, WHICH THE JAPANESE SAY WOULD ENTAIL LEGAL PROBLEMS. THE JAPANESE HAVE INSISTED THAT THEY MUST MAINTAIN MINIMAL SHIPMENTS FOR THE BANDAR KHOMEINI PROJECT IN ORDER TO CONTINUE MAINTENANCE AND REPAIR. THE US HAVE NOT YET INDICATED WHETHER THE EXTENT OF THESE SHIPMENTS WOULD BE ACCEPTABLE WITHIN THE TERMS OF THE PROPOSED EMBARGO BUT THE EMBASSY HAVE TOLD US PRIVATELY THAT THEY THINK IT WOULD BE. THE JAPANESE RAISED THE POSSIBILITY OF THE US ALLEVIATING ANY OIL SHORTFALL FOLLOWING A POSSIBLE CUT-OFF OF SUPPLY BY IRAN. THE US HAVE NOT GIVEN A SPECIFIC REPLY ON THIS BUT HAVE TAKEN NO. THEY HAVE SAID INDICATING THAT THEY DO NOT REGARD SUCH A CUT-OFF AS INEVITABLE. US PRESS REPORTS (WASHINGTON TELNO 277) SUGGEST THAT IT WOULD BE OUT OF THE QUESTION FOR US COMPANIES TO FILL THE GAP.

4. AFGHANISTAN. THE JAPANESE HAVE REASSURED THE US THAT THEY ARE NOT ACTING AS GO-BETWEENS IN THE SUPPLY OF GRAIN TO THE SOVIET UNION. THEY HAVE INDICATED SOME DIFFICULTY IN SUSPENDING CREDITS TO THE SOVIET UNION FROM THE EXPORT-IMPORT BANK OF JAPAN. THEY ARE HOWEVER IN FAVOUR OF MAKING NO EXCEPTIONS TO COCOM AND EXPANDING THE DEFINITIONS OF HIGH-TECHNOLOGY GOODS, WHOSE EXPORT WOULD BE PROHIBITED. THE JAPANESE HAVE ANNOUNCED INCREASED AID TO PAKISTAN, AND ARE REDUCING THEIR DIPLOMATIC REPRESENTATION IN KABUL. THE POSSIBILITY OF THE RE-SITING OF THE OLYMPIC GAMES WAS NOT DISCUSSED IN ANY DETAIL.

5. AT A PRESS CONFERENCE AT THE END OF HIS VISIT, HABIB SAID THAT HE HAD ATTAINED A PLEDGE FROM THE JAPANESE TO DO THEIR UTMOST TO SUPPORT THE AMERICAN POSITION ON THESE TWO ISSUES. THE AMERICAN EMBASSY HAVE TOLD US THAT THEY REGARD THE JAPANESE AS HAVING AGREED TO APPROXIMATELY 80 PER CENT OF U S PROPOSALS AND ANTICIPATE FINAL DECISIONS BY THE END OF THIS WEEK. HOWEVER, MITI HAVE TOLD US THAT THE JAPANESE GOVERNMENT INTEND TO KEEP IN STEP WITH EUROPEAN COUNTRIES AND ARE UNLIKELY TO COME TO A DECISION WITHOUT FULL INFORMATION ON THE EUROPEAN RESPONSE. THERE HAVE BEEN PRESS REPORTS HERE THAT IRAN HAVE GIVEN JAPAN A TWO WEEK DEADLINE TO RESUME WORK ON THE BANDAR KHOMEINI PROJECT. MITI SAY THAT THEY HAVE RECEIVED NO OFFICIAL NOTIFICATION BUT ARE TAKING THESE REPORTS SERIOUSLY.

WILFORD

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TO IMMEDIATE FCO

TEL NO 42 OF 21 JAN 1980

INFO PRIORITY WASHINGTON - UKMIS NEW YORK - NEW DELHI - ISLAMABAD -
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AFGHANISTAN/IRAN.

1. THE PUS HAD SEPARATE DISCUSSIONS ON 18 FEBRUARY WITH THE FOREIGN MINISTER AND FOREIGN SECRETARY KIBRIA, AND WAS RECEIVED FOR HALF AN HOUR BY PRESIDENT ZIA. AFGHANISTAN WAS VIRTUALLY THE ONLY TOPIC (WITH IRAN). ALL THREE EXPRESSED PROFOUND CONCERN AND SUSPICION OF SOVIET INTENTIONS TOWARDS BANGLADESH. THE PRESIDENT ALSO RAISED BRIEFLY THE QUESTION OF BRITISH AID (EXPRESSING HIS APPRECIATION OF THE PRIME MINISTER'S RECENT LETTER AND OF OUR READINESS TO MAINTAIN THE LEVEL OF OUR AID AT £40 MILLION: TOGETHER WITH THE HOPE THAT WE MIGHT NEVERTHELESS BE ABLE TO DO A BIT MORE EXCLAM.) BUT HE DELIBERATELY SET THIS IN THE CONTEXT OF THE DESTABILIZING EFFECT OF THE SOVIET INVASION OF AFGHANISTAN AND THE THREAT TO BANGLADESH FROM COMMUNISM IN WEST BENGAL. FAILURE BY THE GOVERNMENT TO MEET ITS DEVELOPMENT OBJECTIVES COULD HAVE SERIOUS CONSEQUENCES. IN THE PRESENT DANGEROUS SITUATION IN THE REGION, IT MUST SURELY BE A WESTERN AS WELL AS A BANGLADESHI INTEREST TO SEE STABILITY MAINTAINED IN BANGLADESH.

2. THE PRESIDENT ASKED THE PUS TO CONGRATULATE YOU AND THE PRIME MINISTER WARMLY ON YOUR SUCCESS OVER RHODESIA, ABOUT WHICH THE FOREIGN MINISTER AND KIBRIA WERE ALSO FULL OF PRAISE. THEY ALL WELCOMED YOUR RECENT TRIP, BUT WERE PRIMARILY INTERESTED TO HEAR HOW YOUR TALK WITH MRS GANDHI HAD GONE. THEY HAD NOTED WITH PLEASURE THE MORE CRITICAL TONE OF HER REMARKS OVER THE SOVIET INCURSION INTO AFGHANISTAN MADE AFTER HER TALK WITH YOU: AND ATTRIBUTED THAT CHANGE TO YOUR EFFECTIVE ADVOCACY. THEY UNDERLINED THE CRUCIAL IMPORTANCE THEY ATTACH TO THE INDIAN ATTITUDE IN ALL THIS. THE PRESIDENT AND THE FOREIGN MINISTER ARE VISITING DELHI THIS WEEK. THEY CLEARLY HOPED THAT YOU WOULD HAVE USEFULLY SOFTENED UP MRS GANDHI FOR THEM. THE PUS GAVE THEM SOME ACCOUNT OF YOUR TALK WITH MRS GANDHI AND OF

CONFIDENTIAL

/ WHAT YOU

WHAT YOU HAD SAID TO THE PRESS ABOUT IT AFTERWARDS. HE EXPLAINED THE PURPOSE OF YOUR TRIP: TO GET FIRST HAND INFORMATION, REASSURE THE COUNTRIES OF THE GULF AND PAKISTAN IN THE FACE OF THE SOVIET THREAT, AND TO ASSESS WHAT MIGHT BE DONE TO COUNTER THAT THREAT.

3. KIBRIA SAID THAT WE SHOULD NOT ASSUME THAT THE RUSSIANS INTENDED ANY FORM OF FRONTAL ASSAULT ON THE OIL PRODUCING COUNTRIES OF THE MIDDLE EAST. THEY REALISED THAT THAT COULD BE A CASUS BELLI FOR THE UNITED STATES. THEIR PREFERRED TACTIC WOULD BE TO ENCIRCLE OIL PRODUCERS BY PICKING OFF THROUGH SUBVERSION THE NON-ALIGNED NON-PRODUCERS. THEY WERE CONFIDENT THAT THE WEST WOULD CONFINE THEIR REACTIONS TO WORDS IN THE BELIEF THAT THEIR VITAL INTERESTS DEPEND ONLY ON THE OIL PRODUCERS. HE AND THE FOREIGN MINISTER REFERRED GLOOMILY TO SOVIET DOMINATION OF ETHIOPIA, SOUTH YEMEN AND NOW AFGHANISTAN. WHERE WOULD IT STOP? THE PUS TOOK HIM UP ON THIS. OF COURSE WE WERE INTERESTED IN THE OIL PRODUCERS. BUT WE ALSO HAD A MAJOR INTEREST IN STABILITY THROUGHOUT THE REGION. THAT WAS WHY WE WERE DETERMINED TO ACT SO AS TO CONVINCING THE RUSSIANS THAT CRIME WOULD NOT PAY.

4. IRAN. PRESIDENT ZIA SAID THAT HE FULLY UNDERSTOOD THE PRESSURES ON PRESIDENT CARTER AND WAS TRENCHANT IN HIS CRITICISM OF THE TAKING OF HOSTAGES AND OF KHOMEINI PERSONALLY. BUT HIS SUBORDINATES WERE VERY CONCERNED TO CRITICISE THE AMERICANS FOR INSISTING ON THE SANCTIONS RESOLUTION AND TO JUSTIFY THE BANGLADESH ABSTENTION. HOWEVER THEY FULLY ACCEPTED THE NEED TO INDUCE IRAN TO RELEASE THE HOSTAGES AND THE PRESIDENT CLAIMED TO BE WORKING HARD ON THE IRANIANS TO THAT END. (THEY ALSO CLAIMED THAT THEIR AMBASSADOR IN TEHRAN HAD SOME USEFUL CONNECTIONS THERE.). BANGLADESH AS A NON-ARAB MUSLIM COUNTRY HAD TIES WITH IRAN WHICH HE WAS TRYING TO USE TO GOOD EFFECT. THIS WAS A FURTHER ARGUMENT FOR CAUTION AND TACT IN THEIR PUBLIC STATEMENTS. THE PRESIDENT ASKED IF THERE WAS ANY HOPE OF THE SHAH BEING RETURNED TO IRAN BUT SHOWED NO SURPRISE WHEN THE PUS SAID HE SAW LITTLE PROSPECT OF THAT.

5. THE FOREIGN MINISTER TENDED TO ARGUE THAT THE AFGHANISTAN DEBACLE SO DWARFED THE PROBLEM OF THE HOSTAGES THAT THE AMERICANS COULD REALISE HOW IMPORTANT IT WAS FOR THEM TO MEND THEIR FENCES WITH IRAN. BUT HE ALSO CONCEDED THE COUNTER ARGUMENT BY THE PUS THAT IT EQUALLY UNDERLINED THE NEED FOR IRAN TO MEND FENCES WITH THE U.S. HE SAID THAT HE EXPECTED " ALMOST TOTAL UNANIMITY " OVER AFGHANISTAN AT THE ISLAMIC CONFERENCE MORE PARTICULARLY AS IT SEEMED THAT ALGERIA IRAQ LIBIA AND SYRIA WOULD NOT ATTEND. BUT HE HIMSELF COULD NOT GO BECAUSE OF THE DELHI TRIP. BANGLADESH WOULD BE REPRESENTED BY THE FINANCE MINISTER, DR HUDA.

6. IN SHORT, THE GOVERNMENT OF BANGLADESH ARE VERY WORRIED INDEED ABOUT SOVIET INTENTIONS, COMPLETELY SHARE OUR VIEWS OF SOVIET BEHAVIOUR BUT ARE NOT SURE HOW MUCH THEY COULD COUNT ON THE WEST IN A CRISIS: AND ARE DISTINCTLY FRIGHTENED OF WHAT THE RUSSIANS MIGHT DO TO THEM POLITICALLY BY SUBVERSION OR ECONOMICALLY, E.G. BY NOT MAKING THEIR USUAL LARGE PURCHASES OF TEA. THEY WILL BE ROOTING FOR US FROM THE SIDE LINES, BUT DO NOT INTEND TO GET OUT IN FRONT AGAIN.

SCOTT

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PRIME MINISTER

OD: Iran

BACKGROUND

Following the inconclusive discussion on Iran at your ad hoc meeting on 16th January (and at Cabinet on 17th January) you asked for a paper by officials setting out the facts and the decisions to be taken. This has been circulated as OD(80) 4 and can be used as the main focus of OD's discussion. It is supplemented by

- (a) a minute by Lord Carrington of 21st January answering points raised on 16th January (Sir John Graham's views on limiting the numbers of Iranian diplomats in London and on imposing visas; the position of other European countries on arms supply to Iran; and the United States interpretation of their own trade embargo);
- (b) an interim minute by the Attorney General, to be circulated today, on legal aspects of the Kharg case and other arms supplies to Iran.

at item 3 There is an additional background in Lord Carrington's longer minute PM/80/5 of 19th January reporting on his overseas tour, although this is primarily concerned with Afghanistan (OD's Item 3); his paragraph 4 (b) refers specifically to Iran.

2. In OD(80) 4 officials suggest rejection of the United States' proposal for implementation of the resolution vetoed by the Soviet Union as impractical and misconceived. They suggest that the United States and its allies should concentrate on the Afghanistan situation while continuing patient attempts at negotiation with Iran. They suggest further urgent study before a decision on arms sales but invite Ministers to decide whether to impose a visa requirement (which the Home Secretary would welcome to curb immigration) and to consider three measures we might be able to adopt, with others, if the Americans continue to press us (these would not need new primary legislation; the meeting on 16th January endorsed your warning to Mr. Christopher that new legislation was out of the question).

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HANDLING

3. You may wish to remind the meeting that a response is required following Mr. Christopher's representations of 14th January. An early decision on visas would also be useful. And once the 30-day notification of availability has been issued for the Kharg a decision on arms sales policy will be required well before the 30-days expire. But, as shown by the Attorney General's minute, the legal study on this is not yet complete. The meeting should first concentrate on the main line of policy to be adopted (paragraph 4 below) before considering individual measures (paragraphs 5-7 below).

4. General policy on voluntary sanctions (paragraph 10 of OD(80) 4). Does the Foreign and Commonwealth Secretary agree, in the light of his tour following the invasion of Afghanistan, and of the latest reports from Sir John Graham, that the proposal and rationale advanced by Mr. Christopher cannot be accepted? Does he agree specifically to the suggestions at (a), (b) and (c) of paragraph 10 of OD(80) 4? Do other members of the Committee similarly agree?

5. Visas (paragraph 11 of OD(80) 4). Sir John Graham is distinctly unenthusiastic (paragraph 2 of Lord Carrington's minute of 21st January) and warns of risks for his Mission in Tehran. Does Lord Carrington therefore advise against? Does the Home Secretary accept this? If so, is there any other way of restricting the flow of Iranian visitors?

6. Other measures (paragraph 12 of OD(80) 4). How soon do we need a decision on these? Are there not some signs that President Carter may be ready to revert to a more patient search for compromise with Iran? When will a line be needed in Parliament (e.g. debate on 28th January)?

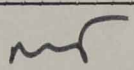
Iranian diplomats in London. Sir John Graham thinks this would be taken as a deliberate gesture of hostility. Should we nevertheless be ready to adopt it and to urge its adoption by others? Would it have any beneficial effects to set against the risks involved? Sir John Graham suggests that, if we do this, we should increase numbers of our diplomats in Tehran, so as to give the Iranians something to cut by way of reprisal. Could we be seen to be increasing our representation in Tehran at this time - given that we could not reveal why we were doing so?

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2 Landings by Iranian registered aircraft. Mr. Nott said on 16th January that he could reluctantly accept this if the Foreign and Commonwealth Office thought it really necessary. Is it? Would other countries join in such a move (the French have opposed it as carrying risk for nationals still in Iran)?

Support for any United States ban on food exports. Hypothetical until the United States take the first step. The Nine would have to agree it but it would be in line with our policy towards the Soviet Union (and for CAP reform) to support an end to subsidised sales to Iran.

7. Arms sales.

The Attorney General's minute of 21st January gives an interim legal view. The Kharg will impose a deadline for decision. The answer may be to allow existing contracts to go forward and to play down the military significance of the Kharg. But the Americans, who have broken existing contracts over Iran (section C of Lord Carrington's minute of 21st January), will not like this; and the French seem at present disposed to break contracts rather than supply patrol boats to Iran (section B of Lord Carrington's minute). The first test case seems likely to be the Italians (helicopter and naval missiles). When does Lord Carrington expect to know their decision? Should we not try to concert a line with them in the light of our legal advice and overall policy? 

CONCLUSION

8. You may wish to aim for agreement as follows:

- (i) General policy.
 - (a) American request to be rejected because since Afghanistan the world has changed.
 - (b) No British action in advance of allies.
- (ii) Visas. Postpone action.
- (iii) Iranian Embassy. Postpone action.
- (iv) Civil aviation. Explore non-committally with allies.
- (v) Food exports. Explore in European Community, also non-committally.

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(vi) Arms

- (a) No new business.
- (b) Postpone decision on whether to honour existing contracts until Italian, French and legal position clearer.
- (c) On Kharg, Attorney General to complete legal analysis, while awaiting general decision on policy ((b) above).

RA

(Robert Armstrong)

21st January, 1980



The National Archives

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TO IMMEDIATE WASHINGTON

TELEGRAM NO 97 OF 14 JANUARY

INFO IMMEDIATE UKMIS NEW YORK, TEHRAN, ISLAMABAD (FOR PRIVATE SECRETARY TO SECRETARY OF STATE)

UNITED STATES/IRAN

1. MR WARREN CHRISTOPHER TOLD MR HURD IN GREAT CONFIDENCE THIS MORNING (PLEASE PROTECT) THAT THE UNITED STATES WAS MAKING EFFORTS TO CONVEY THE FOLLOWING 6 POINT PACKAGE PROPOSAL TO THE IRANIANS THROUGH VARIOUS CHANNELS (EG WALDHEIM-FARHANG):

- A. ALL THE UNITED STATES EMPLOYEES AT THE EMBASSY IN TEHRAN WOULD BE ALLOWED TO LEAVE:
- B. THE UNITED STATES WAS PREPARED TO WORK OUT IN ADVANCE A FORUM FOR THE VENTILATION OF IRANIAN GRIEVANCES, TO INDICATE SOME SYMPATHY WITH THESE AND TO STATE THAT ONCE THE HOSTAGES WERE RELEASED THE UNITED STATES WOULD BE WILLING TO CO-OPERATE WITH THIS FORUM WITHIN THE LIMITS ALLOWED BY AMERICAN LAW. AS TO WHAT THE FORUM MIGHT BE, THIS WAS BEING DELIBERATELY LEFT VAGUE: THE UNITED NATIONS HUMAN RIGHTS COMMISSION WAS NOT EXCLUDED. THE SECRETARY GENERAL COULD DECIDE:
- C. THE UNITED STATES WOULD FACILITATE ANY LEGAL ACTION WHICH IRAN MIGHT CHOOSE TO BRING FOR RECOVERY OF THE SHAH'S ASSETS IN THE UNITED STATES, EG BY TELLING THE COURT THAT THE UNITED STATES GOVERNMENT RECOGNISED IRAN'S RIGHT TO BRING SUCH AN ACTION AND BY GIVING HELP IN TRACING THE ASSETS. (CHRISTOPHER COMMENTED THAT THE IRANIANS WERE IN FOR A DISAPPOINTMENT: THEIR ESTIMATE OF THE SHAH'S WEALTH WAS GROSSLY EXAGGERATED):
- D. AGAIN ONCE THE HOSTAGES HAD BEEN RELEASED, THE UNITED STATES WOULD BE READY TO LIFT THE FREEZE ON IRANIAN ASSETS AND TO TAKE PART IN A UNITED STATES/IRANIAN WORKING GROUP TO ARRANGE THE SETTLEMENT OF CLAIMS BY AMERICAN NATIONALS AND BANKS:
- E. THE UNITED STATES WOULD APPOINT A REPRESENTATIVE TO DISCUSS THE THREAT TO IRAN IN THE SOVIET INVASION OF AFGHANISTAN. IT WOULD MAKE MILITARY SPARE PARTS AVAILABLE TO IRAN ON THE BASIS OF REPORTS BY AMERICAN AND IRANIAN EXPERTS:

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| F.

F. THE UNITED STATES WOULD MAKE A WARM STATEMENT ACKNOWLEDGING IRANIAN GRIEVANCES, RECOGNISING THE RIGHT OF THE IRANIAN PEOPLE TO CHOOSE THEIR FORM OF GOVERNMENT ETC.

2. MR CHRISTOPHER SAID THAT SELECTIVE AND CONFIDENTIAL USE OF THIS INFORMATION IN NEW YORK HAD HELPED TO SECURE NON-ALIGNED VOTES FOR THE SECURITY COUNCIL RESOLUTION (VETOED BY THE SOVIET UNION) ON 13 JANUARY.

CARRINGTON

FILES

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PS/PUS

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ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

21st January 1980

THE PRIME MINISTER

IRAN

As mentioned in the paper (OD(80)4) for tomorrow's meeting of OD, I have carried out an urgent study of the legal position as respects preventing the export of the ship KHARG to the Iranian navy.

2. The note has been prepared after discussion with Ministry of Defence, Trade and Foreign and Commonwealth department lawyers. No contact has been made with Swan Hunter or their parent British Shipbuilders who may have more information relating to the material facts affecting the contractual position. The latest information as to the giving of the thirty days notice of availability by Swan Hunter is that it will be given by the end of this week or at the latest by the beginning of next when the ship will commence its sea trials.
3. I am copying this to members of OD and the Secretaries of State for Industry and Energy, and to Sir Robert Armstrong.

MA
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NOTE BY THE ATTORNEY GENERAL ON PREVENTING THE EXPORT OF THE SHIP KHARG

Facts

1. Under a contract dated 31 October 1974 Swan Hunter Shipbuilders Ltd contracted to build a fleet replenishment ship KHARG for the Ministry of War of the Imperial Government of Iran. The delivery was due to take place on 28 February 1978. By an amendment to the contract this date was extended by one year and under force majeure provisions Swan Hunter have one further year to deliver so that the ultimate date is 28 February 1980. The contract was initiated and negotiated by the Head of Defence Sales of the Ministry of Defence in conjunction with Millbank Technical Service Ltd and a separate contract was drawn up with the Iranian Navy in April 1976 for the Ministry to provide overseeing services and facilities for Iran's benefit, for which agreed charges were to be paid. The basic price of the vessel was £32 million of which approximately £29 million has already been paid. The estimated final price however is £39 million so that approximately £10 million remains to be paid but this figure has not yet been finally agreed by the Iranians. However it is understood that the Iranian delegate has recommended to Tehran that this figure be accepted. The ship^{is} about to undergo its final sea trials with a view to delivery in mid-February. Under the contract Swan Hunter undertook to deliver the vessel duly built and completed at the builders' yard. There is no mention in the contract of any requirement for an export licence as this was not necessary when the contract was made.

The Export Licence

2. By an amendment to the Export of Goods (Control) Order 1970, made on the 23rd December 1974 and coming into operation

/on

on 13th January 1975 the export of "ships of war" was prohibited without the licence of the Secretary of State. (The 1970 Order and its amendments have been consolidated and replaced by the Export of Goods (Control) Order 1978 SI 1978/796). The KHARG is clearly a ship of war for this purpose since it is armed and can carry helicopters and is intended to be in commission in the Iranian navy. Moreover the Ministry of Defence is satisfied that it should be categorised as a ship of war. Accordingly without a licence from the Secretary of State, which has not yet been given, the export of the ship is prohibited.

3. An application for a licence, which can be made either by Swan Hunter or the Iranians or Millbank Technical Services on their behalf, can be refused provided such a refusal is made in the general context of a policy to prohibit the export of arms to Iran.

Refusal of an Export Licence : Contractual and Financial Consequences under Domestic Law

A. Between Iran and Swan Hunter

4. There are two possibilities. First if the express object of the contract is simply to build and deliver a fleet replenishment ship then the contract can still be performed even though an export licence will be refused, Swan Hunter have built the ship and delivery under the contract is presumed to take place in the Tyne. If the Iranians do not pay the remaining £10 million due under the contract, they cannot maintain a claim for delivery in the UK courts and Swan Hunter will appear the innocent party. The financial implications are that Swan Hunter are £10 million out of pocket but the ship remains undelivered. If the Iranians do pay the £10 million, delivery can take place but the

/vessel

vessel will remain within the jurisdiction (subject to questions of inviolability see paras 8-10).

5. Secondly, and this view is to be preferred, if the express object of the contract is to build a fleet replenishment ship which is capable of being used as such outside the jurisdiction and an export licence is refused, performance of the contract will be delayed. This delay can be viewed in 2 ways:-

(i) It may be regarded as not rendering performance impossible in the sense that the anticipated period of delay is not out of proportion to the overall period of performance of the building contract. If that is right the contract specifically provides for the extension of the date of delivery for each day that delivery is rendered impossible through no fault of the builder. Once again the result will be that Swan Hunter will be out of pocket for £10 million for an indeterminate period.

(ii) The alternative view would be that the delay is so substantial as to render performance as a matter of commercial common sense impossible. The law then regards the contract as frustrated. It is considered that the proper law of the contract is English. The Law Reform (Frustrated Contracts) Act 1943 would apply. The effect of this Act would be that losses and advantages stay where they fall but (a) the Iranians could only keep their ship in return for a financial allowance for the benefit received and, (b) Swan Hunter could keep all or part of the instalments received to reflect the expenses incurred. Pending the resolution of the dispute Swan Hunter would hold on to the instalments and possession of the ship.

/The

6. The possibility of an argument being advanced by Iran on the basis that it was an implied term of the contract that Swan Hunter should obtain an export licence has been considered but ruled out because the highest that this could be put would be that Swan Hunter use their best endeavours to apply for and to obtain a licence.

B. Between Iran and HMG

7. In the UK courts there would be no cause of action because the refusal of an export licence would be the exercise of a statutory power for reasons of legitimate policy. Although the Ministry of Defence and Millbank Technical Services appear to have acted as agents for Iran it is not considered that they could be said to be under a duty to use their best endeavours to apply for an export licence still less to obtain such because this in effect would be the Crown applying to itself for a licence and any such obligations to Iran would be a fetter upon the exercise of a statutory discretion. If this argument were wrong an action could be brought seeking to recover damages for the loss of use of the vessel for the period of delay e.g. interest on the capital invested. The quantum of this claim would depend on the considerations in the previous paragraph.

/Inviolability

Inviolability

8. If the ship were inviolable it would be unlawful under international law for us to impede its departure. Unless and until the ship is commissioned it is not inviolable as a public ship of war and is therefore subject to UK law. A warship is defined in Article 8(2) of the Convention on the High Seas 1958 as being, "a ship belonging to the naval forces of a state and bearing the external marks distinguishing warships of its nationality, under the command of an officer duly commissioned by the government and whose name appears in the Navy List, and manned by a crew who are under regular naval discipline".
9. The act of refusing consent to commissioning rests upon the basis that commissioning is an act of sovereignty which cannot be performed on the territory of another state (see:- Lord McNair, Vol I International Law Opinions at page 103).
10. However it is considered that subject to practical considerations the refusal of consent to commissioning should be notified to the Iranian Government within a reasonable time. Furthermore it would not of course be effective if the ship left harbour and was commissioned outside territorial waters and then returned to the UK because then it would have ~~acquired~~ ^{acquired} inviolability. There is a provision in the contract enabling the ship to leave territorial waters for the purposes of sea trials.

Self Help

11. The Iranians might if they decided ~~the~~ their first priority was to obtain possession of the ship, attempt to sail the vessel out of United Kingdom waters. Once they become aware of the risk that they will not be permitted to sail the vessel away after

.../delivery

delivery they might simply take over the vessel at a point when it was outside United Kingdom territorial waters on its trials and sail it away. It appears that they have the physical resources and capacity to do this. There would be Swan Hunter employees on board, nominally in charge of the ship. These could perhaps be deposited at some convenient port of call, or even taken to Tehran, whence they might or might not be returned forthwith. Although in theory proceedings for the breach of our law might then be contemplated, they would probably be met by a claim of State immunity under the State Immunity Act 1978, and in any event they would serve little purpose. If we knew of the attempt to export without the necessary export licence while the ship was still in port or within territorial waters, Customs and Excise have the legal powers to prevent such action.

Customs Powers

12. In the absence of a valid export licence for the ship any attempt to export the ship will render the ship prima facie liable to forfeiture under s68 (1) Customs and Excise Management Act 1979 and anyone knowingly concerned in the attempt liable to a penalty of 3 times the value of the ship on summary conviction or an unlimited penalty on conviction on indictment. If any attempt is made to sail the ship out of UK waters without an export licence the ship would probably be liable to forfeiture.
13. Under s 139 of the Act anything (including a ship) liable to forfeiture can be seized or detained by inter alia customs officers or any member of Her Majesty's armed forces and under s 11 of the Act it is the duty of members of Her Majesty's armed forces to assist in the enforcement of customs law,

.../including

including seizing a ship which is liable to forfeiture. Once the ship is seized then a seizure notice may have to be served and the owner may make a claim before our courts against forfeiture within 1 month.

State Immunity

14. On the assumption that we had made it clear that the Kharg could not be commissioned and that it was therefore not entitled to inviolability as a foreign public warship there nevertheless remains a question of whether these provisions in regard to forfeiture of the vessel could be enforced in view of the sovereign immunity of the State of Iran. The position in regard to immunity is now regulated by the State Immunity Act 1978. Although this Act created numerous exceptions from the previous rule of absolute immunity it seems that none of them could plausibly be held to cover proceedings for forfeiture brought by the United Kingdom Government against the Iranian Government as owners of the vessel. It could be argued that a claim against forfeiture made by the Government of Iran would amount to a submission to the jurisdiction - but section 2(3) and (4) provide that a State is not deemed to have waived its immunity if it intervenes or takes any step in the proceedings only for the purposes of claiming immunity. It could be argued that the Iranian Government is not entitled to have its ship until it allows a United Kingdom court to determine the substantive question of whether the ship is liable to forfeiture, the onus of proof being on the Iranians as plaintiffs. But this analysis is to some extent not in accordance with the true facts of the situation since the real question is whether the United Kingdom can enforce its prohibition on the export of a foreign warship - saying on the one hand that the ship is a warship and therefore contrary to Iranian expectations needs an export licence but on the other hand is notⁱⁿ international law a warship and can

.../therefore

therefore be detained and forfeited under United Kingdom law. In a situation where we have real reason to fear retaliation by Iran the legal subtleties may be of less importance than the public justification of our position in ordinary terms.

International Law Claims by Iran

15. The Foreign and Commonwealth Office believe that once the Iranians became aware that we intended to prevent the ship leaving for Iran, they would in fact be unlikely to pursue their domestic remedies through the United Kingdom Courts. Unless they decided that their first priority was to obtain use of the vessel and attempted to sail it out of United Kingdom waters, they would be more likely immediately to present an international claim against the United Kingdom Government through diplomatic channels.
16. A government-to-government claim could be based on allegations of estoppel - that we had caused Iran direct damage by failing to carry out undertakings, whether express or implied, to facilitate the construction and delivery of a vessel for which they had paid or were ready to pay the full purchase price. The exact scope of the doctrine is far from settled but in general it may be said that where the clear statements or conduct of one Government lead another Government bona fide and reasonably to act to its own detriment or to the benefit of the first Government then the first Government is estopped from going back on its statements or conduct.
17. There appears to be a substantial case on the ground of estoppel. The contract was promoted and consistently furthered by the Ministry of Defence. In his letter of 10 September to His Excellency General H Toufanian, Iranian Vice Minister for War and Armaments, the Head of Defence Sales said:-

..."The

"The Ministry of Defence will, of course, carry out appropriate functions of inspection and overseeing. Swan Hunter are licence holders for the export of this ship design, and we are very lucky that amidst the boom in shipbuilding a firm of such quality is available to carry out this work within a satisfactory time scale. Millbank Technical Services will, of course, provide assistance to you with the contractual and financial questions and I, myself, will take personal interest in the progress of the transaction".

In consequence of these assurances the Iranians acted to their detriment in not placing the order for the ship in another country and to the economic benefit of the United Kingdom. It could reasonably be implied from such a statement that the United Kingdom Government would not for political reasons withhold or revoke an export licence for the vessel after it had been constructed and the purchase price - or most of it - paid.

18. An alternative to estoppel might be that our conduct amounted in substance to an expropriation even although title to the vessel had not been affected. Given that this vessel has been constructed over a period of years to precise Iranian specifications it would not be a commodity which could readily be marketed in the United Kingdom. By refusing an export licence with the deliberate aim of causing injury to Iranian interests we should effectively have deprived them of the use and enjoyment of their possession. There is some support from international arbitrations for the proposition that there may be a "taking" such as constitutes expropriation in international law where, even though the title remains intact, the owner is effectively denied the use of his property. Whether Iran could ultimately show that this amounted to expropriation would depend on whether the detention was prolonged and whether the ship was readily marketable. If we offered to pay the difference

.../between

between the losses they suffered by our detention of the ship and the purchase price they could obtain by selling it elsewhere, there would be no liability under international law. In the alternative we could offer to buy the vessel from them and mitigate our own losses by selling it (which we could presumably more easily do than the Iranians). Again there would be no liability in international law, since no expropriation would have taken place if the Iranians agreed to sell the vessel to Her Majesty's Government. It should be noted that the duty under international law to expropriate only under certain conditions (which would not be satisfied here because expropriation would be discriminatory and unrelated to internal needs of the taking State) and to provide compensation is reinforced by the terms of Article 1 of the First Additional Protocol to the European Convention on Human Rights. This provision does not impose greater obligations than does customary international law, but it gives treaty force to them.

19. Although we could certainly argue in response to a government-to-government claim that we did not fail in the specific undertakings made by the Ministry of Defence, and that the refusal of an export licence could not in any circumstances amount to expropriation under international law, our position would be an exposed one from the point of view of international law. The Iranians would almost certainly not under present circumstances take us to the International Court of Justice, or even invoke arbitration under the International Chamber of Commerce Rules as they would be entitled to by virtue of the contract with the Ministry of Defence. Much more likely is that they would submit a direct government claim through diplomatic channels for full compensation, supported by argument which is more than plausible. In the event of a refusal of compensation they could well consider themselves entitled to proceed to direct retaliation against our interests in Iran.

/Conclusions

Conclusions

20. In the light of the foregoing hurried analysis of the legal position, the following tentative conclusions may be made.

- (1) In the context of a general embargo on the export of arms to Iran, and provided the ship has not become inviolable, an export licence may legitimately be refused.
- (2) If Ministers do decide not to allow the ship to be exported notice must be given that HMG refuses permission for the ship to be commissioned and at the same time notice ought to be given that an export licence is required and that one will be refused.
- (3) If action under (2) above results in the Iranians failing to pay the balance due, the ship will not be delivered. The financial consequences will be that Swan Hunter will be £10 million short on the contract price until delivery takes place. It is conceivable that the Iranians will assert frustration of the contract which will have somewhat more substantial financial implications, i.e. a return of part of the instalment (£29 million) already paid. The Iranians, however, up to now have seemed very keen to obtain the ship.
- (4) If the Iranians do offer to pay the £10 million balance Swan Hunter must deliver the ship and the issue will then become one between HMG and Iran.
- (5) If the issue is one between HMG and Iran then the Iranians may either try to remove the ship in defiance

/of

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of UK law or submit a direct claim to HMG under international law. In either case our legal position would be weak and there would be serious risk of Iran retaliating against our interests if we failed either to furnish the ship or to pay compensation. Such compensation would amount to at least the value of the loss of the ship for such period as they were denied it.

LAW OFFICERS' DEPARTMENT

21 January 1980

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of the law or submit a direct claim to the relevant
interests law. In either case our legal
position would be weak and there would be serious
risk of legal retaliation against our interests if
we failed either to furnish the ship or to pay
compensation. But compensation would amount to
at least the value of the loss of the ship for such
period as they were denied

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FM F.C.O. 201250Z JAN 80

TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 147 OF 20 JANUARY.

Iran

10 Dg St.

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PERSONAL FOR AMBASSADOR

YOUR TELNO 313: IRAN

1. HAMILTON JORDAN (WHITE HOUSE), ACCOMPANIED BY MR STREETER (U.S. EMBASSY), CALLED ON SIR D MAITLAND THIS MORNING TO CONVEY THE FOLLOWING INFORMATION WHICH HE ASKED TO BE PASSED ONLY TO THE PRIME MINISTER AND LORD CARRINGTON.
2. YESTERDAY HE HAD MET EMISSARIES (WHOM HE DID NOT IDENTIFY) OF THE IRANIAN FOREIGN MINISTER AND OF OTHER MODERATE MEMBERS OF THE REVOLUTIONARY COUNCIL (INCLUDING THE DEFENCE MINISTER) IN LONDON. THE INITIATIVE SEEMED TO HAVE BEEN TAKEN BY QOTBZADEH AND THE OBJECT WAS TO SEE WHETHER DIRECT CONTACT BETWEEN THE IRANIANS AND THE AMERICANS COULD LEAD TO PROGRESS OVER THE HOSTAGES. THE DISCUSSION HAD NOT BEEN CONCLUSIVE: THERE WAS STILL A PROBLEM OVER THE STAGE IN ANY PROCESS E.G. OF SETTING UP A COMMISSION OF INVESTIGATION, AT WHICH THE HOSTAGES WOULD BE RELEASED. BUT IN ANY EVENT THERE WAS NO CERTAINTY THAT THIS PARTICULAR CHANNEL WOULD PROVE EFFECTIVE. MR JORDAN SUSPECTED THAT QOTBZADEH'S ROLE WAS PRIMARILY POLITICAL: THE INDICATIONS WERE THAT BANI SADR WAS AHEAD IN THE PRESIDENTIAL RACE AND QOTBZADEH MIGHT BE ANXIOUS TO SCORE A SUCCESS TO IMPROVE HIS OWN PROSPECTS. QOTBZADEH MIGHT ALSO BE BEHIND THE SUGGESTIONS FOR POSTPONING THE PRESIDENTIAL ELECTION ON WHICH, ACCORDING TO MR JORDAN, A DECISION WOULD BE TAKEN THIS EVENING BY THE REVOLUTIONARY COUNCIL. THE U.S. WOULD REGARD POSTPONEMENT AS A SETBACK.
3. MR JORDAN ALSO SPECULATED ABOUT THE RELATIONSHIP BETWEEN KHOMEINI AND THE REVOLUTIONARY COUNCIL AND WITH THE STUDENTS. ONE POSSIBILITY WAS THAT KHOMEINI MIGHT QUOTE INSTRUCT UNQUOTE THE NEW PRESIDENT TO SETTLE THE HOSTAGES PROBLEM. BUT THIS MIGHT ENTAIL REMOVING THE STUDENTS FROM THE EMBASSY. INDEED, THIS MIGHT BE ONE EXPLANATION FOR REMOVING THE U.S. NEWSMEN I.E. TO SHIELD THE U.S. EMBASSY FROM PUBLIC GAZE.

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4. IN THANKING MR JORDAN FOR THIS INFORMATION SIR D MAITLAND SAID HE WAS SURE MINISTERS WOULD WELCOME THIS DEVELOPMENT AND BE READY TO OFFER ANY HELP IF THIS WOULD BE USEFUL. DRAWING ON SIR J GRAHAM'S RECENT TELEGRAMS SIR D MAITLAND SAID THERE WERE SIGNS OF A CHANGE OF MOOD IN TEHRAN. HE ALSO EXPLAINED, AS I HAD DONE WHEN SPEAKING YESTERDAY TO MR VANCE, WHY WE HOPED THE U.S. WOULD SOFT-PEDAL THE ECONOMIC SANCTIONS ISSUE AT LEAST UNTIL AFTER THE ISLAMIC CONFERENCE. MR JORDAN TOOK THE POINT, BUT SAID THAT REGULATIONS WOULD HAVE TO BE MADE IN A DAY OR TWO. IT WOULD BE POSSIBLE HOWEVER TO GO EASY ON APPLYING THESE FOR A SHORT TIME. HE ADDED THAT IN THE STATE OF THE UNION MESSAGE THE PRESIDENT WOULD MAKE FORWARD-LOOKING REFERENCES TO U.S. RELATIONS WITH IRAN. (THERE WOULD ALSO BE A REFERENCE TO DEVELOPING THE CAMP DAVID PROCESS).

5. SIR D MAITLAND TOOK THE OPPORTUNITY TO BRIEF MR JORDAN ON OUR IMPRESSIONS AFTER MY RECENT TOUR. NOTHING NEW EMERGED FROM THE SUBSEQUENT DISCUSSION.

6. MR JORDAN SAID THAT IF HIS PRESENCE IN LONDON BECAME KNOWN HE WOULD SAY HE HAD COME TO DISCUSS THE OLYMPIC GAMES, ON WHICH THE PRIME MINISTER WOULD RECEIVE A MESSAGE (THE CONTENTS OF WHICH HE OUTLINED) FROM PRESIDENT CARTER AT LUNCH-TIME TODAY. SIR D MAITLAND SAID WE WOULD TAKE THE SAME LINE IF ASKED.

CARRINGTON

[COPIES SENT TO NO.10 DOWNING ST]

F I L E S:
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PS
PS/PUS
PS/SIR D. MAITLAND
MR BULLARD

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IRAN ADVANCE COPIES

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 PS/SIR I GILMOUR
 PS/MR HURD
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 SIR D MAITLAND
 MR J C MOBERLY
 LORD BRIDGES
 MR EVANS
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MR D LE B JONES) DEPT OF
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CONFIDENTIAL UK COMMS ONLY

FM TEHRAN 191030Z JAN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 66 OF 19 JANUARY

INFO IMMEDIATE CABINET OFFICE (DIO), MODUK (DI4 AND DS11), CRE 5, WASHINGTON, UKMIS NEW YORK, BAHRAIN AND DACCA (FOR PUS).

INFO PRIORITY ABU DHABI, ANKARA, BAGHDAD, DOHA, DUBAI, ISLAMABAD, JEDDA, KABUL, KUWAIT, MOSCOW, TOKYO, MUSCAT, NEW DELHI, EEC POSTS.

MY TELNO 58: SITUATION IN IRAN

1. AFGHANISTAN. IN WIDELY REPORTED STATEMENTS, TWO PRESIDENTIAL CANDIDATES, BANI SADR AND QOTBZADEH, BOTH CRITICISED THE REPORTED BUILD-UP OF SOVIET TROOPS ON THE AFGHAN BORDER WITH IRAN. QOTBZADEH DESCRIBED THEM AS PART OF THE FORCE SENT IN TO CRUSH A 21 MONTH REBELLION AGAINST AFGHANISTAN'S COMMUNIST REGIME, AND SAID IRAN WOULD PROTEST FIERCELY ABOUT ANY SUCH BUILD-UP. BANI SADR WARNED THE SOVIET UNION AGAINST ANY ATTEMPT TO REPEAT ITS AFGHAN INTERVENTION TACTICS AGAINST IRAN, IN ORDER TO GAIN ACCESS TO THE INDIAN OCEAN. THE SOVIET UNION WISHED TO SEPARATE THE ETHNIC GROUPS IN IRAN, SO THAT SHE COULD INVADE AND OCCUPY THE COUNTRY AS SHE HAD DONE AFGHANISTAN. HE CALLED ON IRANIANS TO

... AND AMERICAN IMPERIALISM.

COUNTRY AS SHE HAD DONE AFGHANISTAN. HE CALLED ON IRANIS TO FIGHT SOVIET AND AMERICAN IMPERIALISM.

2. HOSTAGES. QOTBZADEH IN THE SAME STATEMENT REPEATED THAT IRAN WAS READY TO ENTER INTO NEGOTIATIONS WITH THE US (THIS IS A NEW FORMULATION, BUT I SUSPECT HE MEANS THROUGH INTERMEDIARIES) ON THE BASIS OF THREE POINTS: THE EXTRADITION OF ~~OPMTRBVSHEHSHHHE~~ REFUNDING TO IRAN OF MONEY STTIACMI AND THE FREEING OF THE HOSTAGES. HE STRESSED THAT THE FIRST TWO POINTS MUST BE FULFILLED BEFORE THE LAST, BUT LATER IN THE INTERVIEW HE ELABORATED THIS, ON THE LINES OF HIS LETTER TO WALDHEIM, SAYING THAT A UN INVESTIGATING COMMISSION MIGHT BE SET UP, COMPOSED OF ACCEPTABLE INDEPENDENT PERSONS OF INTEGRITY, THE COMMISSION'S REPORT DEBATED AND APPROVED IN THE SECURITY COUNCIL OR GENERAL ASSEMBLY AND A RESOLUTION INCORPORATING THE THREE POINTS ADOPTED.
3. THE BLACK PRIESTS HAVE NOT YET BEEN ABLE TO SEE THE HOSTAGES. THEY PLAN TO LEAVE TOMORROW, ACCORDING TO PRESS (PARA 10 OF TUR).
4. ELECTIONS. THE ISLAMIC REPUBLICAN PARTY (IRP) WHOSE SUBSTITUTE CANDIDATE IS DR SAYED HASSAN AYET, IS COMPLAINING THAT 1 WEEK IS TOO SHORT FOR HIM TO CAMPAIGN AND CLAIMING THAT THE ELECTIONS OUGHT TO BE POSTPONED. THEY HOPE TO SEE KHOMEINI ABOUT IT. MEANWHILE THE MINISTRY OF INTERIOR HAVE DENIED ALL REPORTS OF POSTPONEMENT.
5. KURDISTAN. IN AN INCIDENT YESTERDAY, IT IS REPORTED THAT LOCAL GUARDS AND MEMBERS OF THE JASH'HA (LABOUR) ORGANISATION (A BODY NEW TO ME) HAD TAKEN 50 PERSON HOSTAGE AFTER A CLASH WITH KURDISH PESHMARGAN IN WHICH THE LATTER HAD ARRESTED TWO JASH'HA MEMBERS. KDP LEADERS HAVE BEEN COMPLAINING OF ATTEMPTS BY SABBAGHIAN OF THE GOVERNMENT NEGOTIATING TEAM TO SPLIT THE KURDISH FRONT, BY GOING DIRECT TO THE TRIBAL LEADERS IN OROUMIEH DISTRICT.
6. TEHRAN. THE MARCHES ON 17 AND 18 JANUARY, WHICH THE RELIGIOUS AUTHORITIES HAD ASKED SHOULD BE OF A RELIGIOUS NATURE ONLY, WERE VERY SMALL AND THERE WERE NO INCIDENTS. HOWEVER SEPARATELY THERE IS INCREASING CONTROVERSY OVER THE PRESIDENTIAL CANDIDATURE OF RAJAVI OF THE MUJAHHEDIN E KHALQ. HE HAS BEEN ATTACKED BY THE NEWSPAPER ISLAMIC REPUBLIC (IRP) ON THE GROUNDS THAT HE DID NOT VOTE FOR THE CONSTITUTION AND DOES NOT ACCEPT IT. AND THE MUJAHHEDIN'S MEDICAL CENTRE WAS ATTACKED BY AN UNNAMED GROUP YESTERDAY, WHO WERE DRIVE OUT WITH THE HELP OF REVOLUTIONARY GUARDS. RAJAVI HAS THE SUPPORT OF

ON THE GROUNDS THAT HE DID NOT VOTE FOR THE CONSTITUTION AND, DOES NOT ACCEPT IT. AND THE MUJAHHEDIN'S MEDICAL CENTRE WAS ATTACKED BY AN UNNAMED GROUP YESTERDAY, WHO WERE DRIVE OUT WITH THE HELP OF REVOLUTIONARY GUARDS. RAJAVI HAS THE SUPPORT OF THE KURDS, FEDAYAN-E-KHALO, MANY IN TEHRAN UNIVERSITY AND, IT IS REPORTED, OF THE MUSLIM ASSOCIATION OF OIL WORKERS.

7. THERE IS ALSO TROUBLE IN THE MINISTRY OF JUSTICE WHERE A NUMBER OF EMPLOYEES, USING THE TACTICS OF SIT-IN, HAVE FORCED THE SUSPENSION OF SOME SENIOR OFFICIALS, ON THE GROUNDS, ALLEGEDLY, THAT THEY ARE FREEMASONS AND SUPPORTED ACTIVELY THE SHAH'S REGIME.

GRAHAM

BT

NNNN

OF THE SHAH, THE REFUNDING TO IRAN OF MONEY STOLEN BY THE SHAH,

PS
PS/SIR I GILMOUR
PS/MR HURD
PS/PUS
~~SIR D MITCHELL~~
MR J C MOBERLY
LORD BRIDGES
MR EVANS
MISS BROWN
HD/MED (2)
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~~RESIDENT CLERK~~

Lord H G Hamer

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SIR R ARMSTRONG)
ASSESSMENTS STAFF)
MR R WADE GERY) CABINET
MR LE CHAMINANT) OFFICE
MR P G FOWLER R 217)
DIO)
PS/CHANCELLOR)
MR F R BARRATT) TREASURY
MR D J S HANCOCK)
MR C W MCMAHON) BANK OF
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R. R. Williams CRES DC
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FM TEHRAN 180730Z JAN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 063 OF 18 JANUARY

INFO IMMEDIATE WASHINGTON, UKMIS NEW YORK, EEC POSTS.

MIPT: US/IRAN

1. I DISCUSSED THE GENERAL PROBLEM AGAIN WITH MY COMMUNITY COLLEAGUES THIS MORNING, BEFORE RECEIPT OF YOUR TELS NO 35 AND 36. THE FRG AMBASSADOR SAID THAT IN VIEW OF THE CHANCELLOR'S RECENT STATEMENT OF FULL SUPPORT FOR THE US IN THE BUNDESTAG AND OF WHAT HE HAD HEARD FROM BONN, HE EXPECTED THE FRG TO PROCEED TO THE UNILATERAL IMPOSITION OF SANCTIONS AND TO BE TOLD HIMSELF TO WITHDRAW ABOUT THE MIDDLE OF NEXT WEEK. ALREADY GERMAN COMPANIES WERE SHOWING RELUCTANCE TO ENTER INTO TRADING COMMITMENTS WITH IRAN, DESPITE PRESSING APPROACHES FROM THE IRANIANS, AND HE PRESUMED THIS WAS DUE AS MUCH TO OFFICIAL GUIDANCE AS TO COMMERCIAL JUDGEMENT.
2. IN DISCUSSION, THE GENERAL VIEW WAS THAT THE COMMUNITY AS A WHOLE WOULD HAVE DIFFICULTY IN FOLLOWING THE FRG IN THIS COURSE, IF THAT WAS INDEED THEIR POLICY. WE AGREED THAT SANCTIONS WOULD UNDOUBTEDLY HAVE AN EFFECT ON THE IRANIAN ECONOMY

COURSE, IF THAT WAS INDEED THEIR POLICY. WE AGREED THAT SANCTIONS WOULD UNDOUBTEDLY HAVE AN EFFECT ON THE IRANIAN ECONOMY (E.G. THE RAILWAYS ARE RUNNING INTO SHORTAGES OF SPARES, THE ABADAN REFINERY IS LACKING A PARTICULAR INGREDIENT FOR PRODUCTION OF PETROL, OTHER SECTORS ARE LACKING RAW MATERIALS AND SPARES ESPECIALLY LUBRICATING OIL): NEVERTHELESS IT REMAINED OUR VIEW THAT ECONOMIC DISORDER WOULD NOT PRODUCE THE EFFECT ANTICIPATED BY THE AMERICANS (A CHANGE OF HEART IN KHOMEINI, FOR FEAR OF A LEFT-WING TAKE-OVER) AND IN THE SHORT TERM AT LEAST WOULD RALLY OPINION TO HIM.

3. THE BEST HOPE, IT SEEMED TO US WAS TO CONTINUE TO WORK FOR SOME SORT OF COMPROMISE SETTLEMENT INVOLVING THE RELEASE OF THE HOSTAGES AGAINST AN ENQUIRY OR COMMISSION, ALONG THE LINES BEING AIRED IN VARIOUS FORMS. (I DID NOT THROW INTO THE DISCUSSION THE UN COMMISSION ON HUMAN RIGHTS IDEA IN VIEW OF ACTION ELSEWHERE). WALDHEIM'S REPRESENTATIVE HERE TOLD THE DANISH AMBASSADOR YESTERDAY THAT ONE SUCH IDEA BEING CONSIDERED BY WALDHEIM WAS FOR A NON-ALIGNED DELEGATION TO VISIT TEHRAN ON THE OCCASION OF THE ELECTION OF THE NEW PRESIDENT, TO CONGRATULATE IRAN ON THE SUCCESSFUL IMPLEMENTATION OF ITS CONSTITUTION AND TO RECEIVE IN RETURN, AS A TOKEN OF GOODWILL, THE RELEASE OF THE HOSTAGES.

4. THE MAIN ARGUMENT IN FAVOUR OF MAINTAINING THIS APPROACH IS THAT WITH THE WITHDRAWAL OF FARSI, A HARD-LINER, FAVOURED BY THE "STUDENTS", FROM THE PRESIDENTIAL ELECTIONS, THE FAVOURITES NOW ARE BANI SADR AND MADANI. OF THESE WE KNOW THAT THE FORMER, AND SUSPECT THAT THE LATTER, FAVOUR THE RELEASE OF THE HOSTAGES. KHOMEINI MIGHT FIND IT EASIER TO BOW TO A REQUEST FROM A NEWLY ELECTED PRESIDENT THAN TO GIVE WAY SPONTANEOUSLY. OUR JUDGEMENT TOO IS THAT THE "STUDENTS" ARE LOSING SOME GROUND IN POPULAR SUPPORT HERE, AN INCREASING NUMBER OF IRANIANS BEING BORED, OR EVEN FED UP, WITH THE WHOLE BUSINESS AND SEEING THAT THE NEED IS FOR CONSOLIDATION AND FIRM GOVERNMENT. THIS TREND COULD BE REVERSED BY DRAMATIC NEW ACTION BY THE US AND ITS ALLIES.

5. I AM AWARE THAT THESE ARGUMENTS ARE WELL KNOWN TO YOU AND WITH THE EXCEPTION PERHAPS OF THE POINTS IN THE PRECEEDING PARAGRAPH, DO NOT BREAK NEW GROUND. I REPEAT THEM AS REPRESENTING A CONSENSUS OF MY EEC COLLEAGUES HERE.

GRAHAM

1136

PS

PS/SIR I GILMOUR

PS/MR HURD

~~PS/PUS~~

~~SIR D MITCHELL~~

MR J C MOBERLY

LORD BRIDGES

MR EVANS

MISS BROWN

HD/MED

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~~RESIDENT CLERK~~

Lord & G. House

(2) Prime Minister
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MR LE CHEMINANT)

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CABINET OFFICE

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FM TEHRAN 180940Z JAN 88

TO IMMEDIATE FCO

TELEGRAM NUMBER 62 OF 18 JANUARY

INFO IMMEDIATE WASHINGTON, UKMIS NEW YORK AND EEC POSTS,

YOUR TELS NO 35 AND 36: VOLUNTARY MEASURES AGAINST IRAN.

1. I HAVE ONLY ONE GENERAL COMMENT: THAT BEHESHTI AND OTHER GOVERNMENT FIGURES HAVE STATED THAT COUNTRIES THAT APPLY SANCTIONS AGAINST IRAN, WILL BE ASKED TO WITHDRAW THEIR REPRESENTATION HERE. THERE COULD BE AN ELEMENT OF BLUFF IN THIS AND MUCH WOULD DEPEND ON THE APPEARANCE I.E. THE DEGREE OF PUBLICITY AND PUBLIC IMPACT. MY VIEWS ON THE PROBLEM AS A WHOLE, SHARED WITH MY COMMUNITY COLLEAGUES, ARE IN MIFT.

2. I HAVE THE FOLLOWING COMMENTS ON THE SPECIFIC POINTS IN THE PAPER (SUB PARAS CORRESPOND TO PARAS IN YOUR TELNO 36):
(1) MEASURES IN THE RESOLUTION OF 13 JAN. I HAVE ONE GENERAL COMMENT: IF THE US ADMINISTRATION NEEDS TO DO SOMETHING TO KEEP AMERICAN OPINION UP TO THE MARK, UNILATERAL ACTION BY THEM ON THE LINES OF THE RESOLUTION WOULD SEEM TO BE THE BEST WAY.

AMERICAN OPINION UP TO THE MARK, UNILATERAL ACTION BY THEM ON THE LINES OF THE RESOLUTION WOULD SEEM TO BE THE BEST WAY.

I DO NOT THINK IT WOULD AFFECT THE POSITION OF THE HOSTAGES AND BY PREVENTING US FIRMS CIRCUMVENTING THE EFFECT OF THE BLOCK OF IRANIAN FUNDS BY OPERATING THROUGH THIRD COUNTRIES, WOULD ACHIEVE AN EFFECTIVE TURN OF THE SCREW. THE REDUCTION OF IRANIAN EMBASSY STAFF IN LONDON (1C) WOULD BE SEEN AS A DELIBERATE GESTURE OF HOSTILITY. ONE OBVIOUS REACTION WOULD BE TO DEMAND MY OWN RECALL, SINCE THE IRANIANS ONLY HAVE A CHARGE IN LONDON. IT MIGHT BE POSSIBLE TO REDUCE THE EFFECT OF A TIT FOR TAT REACTION BY PUTTING A CEILING ON THE IRANIAN STAFF IN LONDON, TO BE REDUCED BY, SAY 2, FOR EACH 1 OF OUR STAFF IN TEHRAN WHO IS EXPELLED. CLEARLY TOO, BEFORE DOING THIS, WE OUGHT TO RETURN SOME STAFF HERE TO GIVE US SOME FAT TO COME AND GO ON.

(2)A. THIS IS AN AREA WHERE WE COULD (REPEAT COULD) ACT ALONE, SINCE WE ARE THE ONLY SOURCE OF E.G. CHIEFTAIN SPARES. TO DO SO HOWEVER WOULD INCREASE THE RISK OF OUR BEING SINGLED OUT FOR RETALIATION. PACE (UNDERLINED) THE LAST SENTENCE OF FIRST PARA OF 2A OF YOUR TELNO 36, A FORMAL ARMS EMBARGO WOULD LEAD TO TERMINATION OF SOME EXISTING CONTRACTS BY THE IRANIANS. FOR EXAMPLE I DO NOT THINK WE COULD EXPECT TO CONTINUE THE NEGOTIATIONS FOR THE 4 YARROW SHIPS, THE AMMUNITION, THE OUTSTANDING PAYMENTS ON THE ISFAHAN, DORUD AND BANDAR ABBAS PROJECTS, OR ON RAPIER. REALISTICALLY WE PROBABLY NEVER STOOD MUCH CHANCE OF OBTAINING PAYMENT ON RAPIER: AND BANDAR ABBAS, WHERE THE WORK IS LARGELY COMPLETE, AND DORUD, WHERE THERE IS SO LITTLE TO SHOW ON THE GROUND, MIGHT HAVE BEEN LOST CAUSES. BUT WE WERE NEAR AGREEMENT IN THE YARROW SHIPS AND ISFAHAN (AND EVEN DORUD) IS A POTENTIAL ASSET FOR IRAN FOR WHICH THEY MIGHT HAVE BEEN PREPARED TO PAY IN ORDER TO OBTAIN COMPLETION.

IT WOULD BE BETTER TO PROCEED WITHOUT FORMALISING THE EMBARGO, I.E. BY HOLDING SUPPLIES UP AS WE ARE DOING NOW SO LONG AS POSSIBLE. KHARG REPRESENTS A TEST CASE AND A FORMAL REFUSAL OF AN EXPORT LICENCE WOULD BE SEEN HERE AS A FORMAL ARMS EMBARGO.

(2)B. VISAS. I THINK WE HAVE TO GIVE NOTICE OF A WISH TO TERMINATE THE VISA ABOLITION AGREEMENT, BUT THAT IT CAN BE SUSPENDED WITHOUT NOTICE. THE IMMEDIATE EFFECT OF ANY ANNOUNCEMENT THAT VISAS WERE REQUIRED FORTHWITH WOULD BE SOMETHING OF A PANIC: WE SHOULD BE INUNDATED WITH ENQUIRIES, ESPECIALLY IF THE AIRLINES WERE TO REFUSE TO CARRY IRANIANS NOT IN POSSESSION OF VISAS. (IF THEY ACCEPTED IRANIANS WITHOUT VISAS, THE EFFECT WOULD BE MERELY TO FORMALISE THE PRESENT POSITION WHEREBY ENTRY IS GRANTED OR REFUSED IN LONDON). THE CIRCUMSTANCES OF COURSE DIFFER FROM THESE WE WERE CONSIDERING EARLIER WHEN THE MAIN PURPOSE WAS TO CONTROL THE INFLOW OF IRANIANS TO THE UK. IF NOW THE INTENTION IS TO PUT PRESSURE ON IRAN, IT MIGHT NOT BE SO IMPORTANT THAT WE MADE NO ATTEMPT TO COPE WITH THE

MIGHT NOT BE SO IMPORTANT THAT WE MADE NO ATTEMPT TO COPE WITH THE NUMBER OF APPLICANTS, EXCEPT THAT THE SECURITY CONSIDERATIONS REMAIN THE SAME. I BELIEVE THAT THIS IS THE SINGLE MEASURE MOST LIKELY TO PROVOKE A MOB REACTION HERE AGAINST THE EMBASSY, STIMULATED NO DOUBT BY THE GOVERNMENT WHICH IN THIS ABOVE ALL WOULD HAVE PUBLIC OPINION ON ITS SIDE. EVEN IF WE WERE MERELY TO ACT AS A POST OFFICE FOR VISA APPLICATIONS WE WOULD NEED MORE STAFF (THOUGH THEY COULD BE LOCALLY-ENGAGED, WITH UK-BASED SUPERVISION), BUT UNLESS THERE WERE INTERVIEWS HERE, THERE WOULD STILL BE ANGER AT ARBITRARY REFUSALS OR, STILL MORE, AT REFUSALS AT HEATHROW TO HONOUR VISAS GRANTED HERE AFTER REFERENCE: AND IN ANY CASE THE PRINCIPAL EFFECT WOULD BE TO IMPOSE DELAY AND A FINE (THE VISA FEE). THE MAJORITY OF THOSE AFFECTED WOULD BE THOSE WHO ON THE WHOLE ARE ON OUR SIDE: THE REGIME'S FAVOURED SONS WOULD BECOME INCREASINGLY THE SUBJECT OF SPECIAL REQUESTS BY IRANIAN MINISTERS ETC. FINALLY I CANNOT BELIEVE THAT A MEASURE OF THIS KIND WOULD CONTRIBUTE IN ANY WAY TO THE RELEASE OF THE US HOSTAGES: ITS SOLE EFFECT WOULD BE TO MOLIFY THE AMERICANS SOMEWHAT.

C. ANY MEASURE IS LIKELY TO EXCITE RETALIATION. THE RISK COULD BE REDUCED IF THE RESTRICTION WERE MADE ON A RECIPROCAL BASIS (E.G. BY MATCHING CARRYING CAPACITY OR FLIGHTS PER WEEK).

BY EACH NATIONAL CARRIER. TO PREVENT ALL FLIGHTS, ESPECIALLY IF OTHER EUROPEAN STATES JOINED IN THE BAN, WOULD LEAD TO BANS ON THE NATIONAL CARRIERS CONCERNED, AND WOULD THUS GREATLY REDUCE THE SERVICE TO TEHRAN, WHICH WOULD INCONVENIENCE ALL TRAVELLERS, BUT WITH WHICH THE IRANIANS COULD LIVE EASILY ENOUGH.

D. TO BE EFFECTIVE, AUSTRALIA AND NEW ZEALAND WOULD HAVE TO BE INVOLVED E.G. BY NOT STEPPING IN TO FILL THE US'S PLACE. PHRASED IN THAT WAY, ACTION BY THE EEC WOULD BE TOLERABLE HERE AND, THOUGH PAINFUL TO IRAN WOULD NOT, I THINK, EXCITE RETALIATION.

E AND F. NO COMMENT.

GRAHAM

1208

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GR 550A

CONFIDENTIAL

FROM UKMIS NEWYORK 172015Z JAN 80
TO IMMEDIATE F C O
TELEGRAM NUMBER 126 OF 17 JANUARY
INFO IMMEDIATE WASHINGTON TEHRAN ROME (FOR ORELEBAR)
INFO PRIORITY EEC POSTS UKMIS GENEVA JEDDA AMMAN ISLAMABAD
CAIRO ANKARA KHARTOUM

YOUR TELNO 60 AND WASHINGTON TELNO 264:
IRAN HOSTAGES AND THE HUMAN RIGHTS COMMISSION

1. I AGREE WITH WASHINGTON TELEGRAM UNDER REFERENCE THAT IF WE ARE GOING TO LEAVE THE AMERICANS TO MAKE THE RUNNING ON THIS, ALBEIT IN PRIVATE, IT IS BETTER NOT TO RAISE IT WITH THE NINE AT THIS STAGE. AS THE STATE DEPARTMENT RECOGNISE, IT WILL BE IMPORTANT TO KEEP THE AMERICAN HAND HIDDEN: THEREFORE THE FEWER THAT ARE IN THE KNOW THE BETTER.
2. I ASKED WALDHEIM TODAY WHERE HE STOOD. HE SAID THAT HE HAD AGREED WITH MCHENRY THAT HIS CHANNEL TO FARHANG/QOTBZADEH WAS THE ONLY ONE STILL OPEN, THAT NOTHING WAS GOING TO HAPPEN UNTIL AFTER THE PRESIDENTIAL ELECTIONS IN IRAN (WHICH, ACCORDING TO THE PRESS HERE, MAY NOW BE POSTPONED), BUT THAT IT WAS IMPORTANT TO MAINTAIN THE IMPRESSION OF ACTIVITY. FOR THIS REASON HE DOUBTED WHETHER HE WOULD BE ABLE TO UNDERTAKE HIS FULL ASIAN TRIP, WHICH WAS DUE TO LAST TWO AND A HALF WEEKS STARTING TOMORROW. I ADVISED HIM NOT TO CANCEL OR CURTAIL HIS TRIP UNLESS THERE WAS A COMPELLING REASON TO DO SO.
3. MEANWHILE, WALDHEIM SAID THE MEXICAN PERMANENT REPRESENTATIVE HERE HAD GOT INTO THE ACT AND HAD COME UP WITH THE IDEA OF A TWO PHASE APPROACH UNDER WHICH A THREE MAN CONTACT GROUP WOULD FIRST GO TO IRAN TO PREPARE THE WAY FOR A FIVE MAN INTERNATIONAL COMMISSION OF ENQUIRY, WHICH WOULD BE COMPOSED SOLELY OF JURISTS. WALDHEIM HAD TOLD VANCE OF THIS BUT HAD RUN INTO THE FAMILIAR AMERICAN OBJECTION THAT TO BE ACCEPTABLE TO THEM ANY PACKAGE WOULD HAVE TO PROVIDE FOR THE HOSTAGES TO BE RELEASED AT THE SAME TIME AS THE COMMISSION OF ENQUIRY WAS ESTABLISHED. BUT AT LEAST THE MEXICAN AMBASSADOR'S EFFORTS, FOR WHICH HE WAS GETTING PLENTY OF PRESS PUBLICITY, CREATED THE PUBLIC IMPRESSION THAT EFFORTS WERE CONTINUING.

4. THE FACT THAT WALDHEIM AND MCHENRY BOTH FEEL THE NEED TO MAINTAIN THE IMPRESSION OF ACTIVITY, EVEN THOUGH THEY PRIVATELY RECOGNISE THAT NOTHING CAN BE ACHIEVED BEFORE THE IRANIAN ELECTIONS, INCREASES THE RISK THAT THE HUMAN RIGHTS COMMISSION IDEA WILL GET LOST AMONGST THE NUMEROUS VARIANTS OF WALDHEIM'S ORIGINAL PACKAGE WHICH ARE NOW UNDER DISCUSSION. ITS ATTRACTION IN MY VIEW HAS ALWAYS BEEN THAT IF, AFTER THE ELECTIONS, THE IRANIANS WANTED TO FIND SOME WAY OF GETTING THE HOSTAGES OFF THEIR HANDS, THE HUMAN RIGHTS COMMISSION, UNCONTAMINATED BY EARLIER ACTIVITIES OF THE SECURITY COUNCIL AND THE SECRETARY-GENERAL, COULD GIVE THEM A PRETEXT FOR DOING SO. I STILL THINK IT IMPORTANT THEREFORE THAT WE SHOULD TRY TO KEEP IT SEPARATE FROM WALDHEIM'S CONTINUING EFFORTS WHICH, IN MY JUDGEMENT, ARE UNLIKELY TO PRODUCE RESULTS FOR A VERY LONG TIME. I HOPE THAT HM EMBASSY WASHINGTON CAN PRESENT THE IDEA IN THIS LIGHT IN THEIR FUTURE CONTACTS WITH THE STATE DEPARTMENT AND URGE THEM TO MOVE QUICKLY TO CHOOSE A PROXY (PAKISTAN SEEMS THE OBVIOUS CHOICE).

PARSONS

COD NOTE : REPEATED, AT RESIDENT CLERK'S REQUEST, TO BAHRAIN FOR SOFS.

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UNCLASSIFIED

FM WASHINGTON 180010Z JAN 80
TO PRIORITY F C O
TEL NO 279 OF 17 JAN 80
INFO PRIORITY TEHRAN

U.S./IRAN.

1. TODAY'S WASHINGTON POST CARRIES A FRONT PAGE ARTICLE ABOUT A LETTER THE NEWSPAPER HAS RECEIVED FROM ROBERT ODE, A 64 YEAR OLD AMERICAN HOSTAGE IN TEHRAN. IN THE FIRST TWO PARAGRAPHS OF HIS LETTER ODE INTRODUCES HIMSELF AS QUOTE ONE OF APPROXIMATELY 65 AMERICANS BEING HELD HOSTAGE UNQUOTE THE LETTER CONTINUES:

SINCE OUR CAPTORS DO NOT PERMIT US TO RECEIVE NEWS OF ANY KIND, EITHER BY RADIO, TV, NEWSPAPERS OR RECENT MAGAZINES, WE HAVE NO IDEA OF WHAT IS BEING DONE BY THE PRESIDENT, THE SECRETARY OF STATE, BY MEMBERS OF THE CONGRESS, OR ANY OTHER OFFICIALS OF THE U.S. GOVERNMENT TO PROTECT OUR BASIC HUMAN RIGHTS OR OUR WELFARE AS UNITED STATES CITIZENS. OUR DIPLOMATIC IMMUNITY HAS CONSISTENTLY BEEN IGNORED BY OUR CAPTORS.

I CAN ONLY ASK THAT WITH YOUR POWER OF THE PRESS THAT YOU DO EVERYTHING POSSIBLE TO BRING PRESSURE ON THE RESPONSIBLE LEADERS:

... TO TAKE PROMPT ACTION TO FREE US FROM THIS TERRIBLE

EVERYTHING POSSIBLE TO BRING PRESSURE ON THE RESPONSIBLE LEADERS
IN OUR GOVERNMENT TO TAKE PROMPT ACTION TO FREE US FROM THIS TERRIBLE
SITUATION. WE ARE CONCERNED NOT ONLY FOR OUR OWN WELFARE BUT ALSO
THAT OF OUR FAMILIES IN THE UNITED STATES. WE ARE BEING KEPT IN
SEMI-DARKENED ROOMS; OUR HANDS ARE TIED DAY AND NIGHT, BRIGHT
LIGHTS ARE KEPT BURNING ALL NIGHT AND BECAUSE OF THE CONSTANT NOISE
IT IS ALMOST IMPOSSIBLE TO SLEEP. IN 53 DAYS I HAVE BEEN
GIVEN ONLY THREE BRIEF EXERCISE PERIODS IN THE FRESH AIR AND ONLY
FOUR TASTELESS AND UNRIPE ORANGES, TWO HARD BOILED EGGS,
ONE SMALL BOTTLE OF FRESH MILK AND A FEW PRESSED DATES TO
SUPPLEMENT AN OTHERWISE MONOTONOUS AND TOO STARCHY DIET. I BELIEVE
MAIL IS BEING WITHHELD FROM US AND WE HAVE HAD NO VISITS FROM
REPRESENTATIVES OF THE U.S. GOVERNMENT TO ASCERTAIN HOW WE ARE
BEING TREATED. WE RECEIVE ABSOLUTELY NO NEWS AND ARE NOT EVEN
PERMITTED TO CONVERSE WITH OUR FELLOW U.S. CITIZEN HOSTAGES IN THE
SAME ROOM.

ANYTHING YOU CAN DO TO HELP US WILL BE GREATLY APPRECIATED.

2. ACCORDING TO THE ARTICLE, STATE DEPARTMENT OFFICIALS HAVE
SAID THAT ODE'S LETTER APPEARS TO BE AUTHENTIC AND IS ONE OF
A NEW BATCH OF QUOTE AT LEAST 8 TO 10 LETTERS UNQUOTE FROM
AMERICAN HOSTAGES TO HAVE BEEN RECEIVED BY RELATIVES IN THE U.S.
DURING THE LAST TWO DAYS. OFFICIALS PRESUME THAT THE LETTERS,
DATED AS HAVING BEEN WRITTEN BETWEEN 14 AND 27 DECEMBER, HAD
BEEN MAILED WITH THE APPROVAL OF THE QUOTE STUDENTS UNQUOTE.

3. ALTHOUGH DATED 26 DECEMBER, THE LETTER MAKES NO REFERENCE TO
THE VISITING CLERGYMEN OVER CHRISTMAS.

4. SEE MIFT.

HENDERSON

NNNN



The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
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TO IMMEDIATE TEHRAN

TELEGRAM NUMBER 35 OF 17 JANUARY

INFO IMMEDIATE WASHINGTON, UKMIS NEW YORK, EEC POSTS

YOUR TELNO 51: VOLUNTARY MEASURES AGAINST IRAN.

1. FOLLOWING THE VISIT OF CHRISTOPHER, MINISTERS ARE IN THE PROCESS OF CONSIDERING WHAT STEPS MIGHT BE TAKEN, DESPITE THE PROBLEMS IN SUPPORT OF THE AMERICANS. SERIOUS DIFFICULTIES ARE SEEN OVER MEASURES WHICH WOULD INVOLVE ANY SIGNIFICANT FINANCIAL COSTS AND THE INTRODUCTION OF PRIMARY LEGISLATION, WHICH WOULD BE NEEDED FOR CERTAIN OPTIONS, HAS BEEN RULED OUT.

2. MY IMMEDIATELY FOLLOWING TELEGRAM CONTAINS A PRELIMINARY LIST OF MEASURES WHICH ARE UNDER CONSIDERATION, ALONG WITH COMMENTS. NECESSARY AMENDMENTS WILL BE MADE TO THIS DRAFT BEFORE IT IS SUBMITTED TO MINISTERS. BUT THE PRESENT VERSION MAY BE USEFUL FOR BACKGROUND INFORMATION.

3. IN ADDITION TO ANY GENERAL COMMENTS YOU MAY HAVE, WE SHOULD BE GRATEFUL FOR ADVICE ON THE FOLLOWING BY DESKBY 1600Z ON 18 JANUARY, FOR A MEETING ON SATURDAY MORNING:

A) IF WE REQUIRE A REDUCTION IN THE SIZE OF THE IRANIAN DIPLOMATIC MISSION IN LONDON (CURRENTLY 16 DIPLOMATIC AND 13 NON-DIPLOMATIC STAFF) WOULD THERE BE RETALIATION BY THE IRANIANS AGAINST YOUR EMBASSY? WOULD THERE BE RETALIATION IF ALL EEC COUNTRIES COULD BE PERSUADED TO TAKE THE SAME MEASURES?

B) HOW WOULD THE IRANIANS REACT IF WE IMPOSED A VISA REQUIREMENT, AND WERE UNABLE IN PRACTICE TO ISSUE VISAS IN OTHER THAN SPECIAL CASES? WOULD THERE BE IMPLICATIONS FOR THE BRITISH COMMUNITY IN IRAN AS WELL AS FOR THE EMBASSY STAFF AND PREMISES?

C) ARE THERE ANY OTHER MEASURES WHICH COULD BE CONSIDERED WHICH ARE NOT COVERED IN MIFT?

/ D)

SECRET

D) WHICH MEASURES DO YOU THINK IT WOULD BE BEST, OR LEAST DAMAGING, TO GO FOR? WOULD YOUR RECOMMENDATIONS CHANGE IF ACTION WAS UNILATERAL (I.E., WE COULD NOT GET OUR COMMUNITY PARTNERS TO ACT WITH US)?

CARRINGTON

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*Copied to:
Master set
Afghanistan situation
Sport: Olympics*

SOUTH WEST ASIA

*Seen by MODBA - see
back page*

NOTE OF A MEETING HELD AT 10 DOWNING STREET AT 4 PM ON 16 JANUARY 1980

PRESENT

PRIME MINISTER
HOME SECRETARY
CHANCELLOR OF THE EXCHEQUER
SECRETARY OF STATE FOR INDUSTRY
MINISTER OF AGRICULTURE, FISHERIES AND FOOD
SECRETARY OF STATE FOR TRADE
SECRETARY OF STATE FOR ENERGY
ATTORNEY GENERAL
MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE
(MR DOUGLAS HURD)
MINISTER OF STATE, MINISTRY OF DEFENCE (LORD STRATHCONA)
PARLIAMENTARY UNDER SECRETARY OF STATE,
DEPARTMENT OF THE ENVIRONMENT (MR HECTOR MONRO)
GOVERNOR OF THE BANK OF ENGLAND
SIR ROBERT ARMSTRONG)
MR R L WADE-GERY) Cabinet Office
MR PJ FOWLER)

The meeting was called to consider the United States request for the voluntary implementation of sanctions against Iran which the United Nations Security Council had only failed to make mandatory because of the Soviet veto; and possible action against the Soviet Union in the light of events in Afghanistan and of the message from President Carter delivered to the Prime Minister on 14 January. It had before it, on Iran, a minute from the Lord Privy Seal to the Prime Minister of 11 January; and, on Afghanistan, a minute from the Foreign and Commonwealth Secretary to the Prime Minister of 8 January and a background paper by officials circulated under cover of a letter of 15 January from the Private Secretary to the Secretary of the Cabinet.

Iran

It was noted that there had been no substantive discussion at the meeting of the European Community's Foreign Affairs Council on 15 January; and that at the North Atlantic Council on the same date the United States Deputy Secretary of State, Mr Christopher, had said only what he had already said in London on 14 January.

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It was agreed that no further measures could be contemplated in the financial field. The Iranians were behaving with scrupulous correctness. They appeared to have understood that Britain would not take action to freeze their assets, and were not therefore seeking to withdraw their deposits in London.

It was noted that the Iranians had threatened to reduce their oil production and to sell no oil to any country which applied sanctions.

It was agreed that no new primary legislation could be considered in the context of sanctions; and that there was no legal force in Mr Christopher's suggestion that the Security Council resolution of 31 December, which had not been vetoed, might provide cover for action by Britain under the United Nations Act in spite of the vetoing of the resolution of 13 January.

It was agreed that Mr Hurd would seek the views of HM Ambassador in Tehran on the advisability of

- a. reducing the number of Iranian diplomats in London, preferably as part of a joint move with other countries;
- b. imposing a visa requirement for Iranians entering the United Kingdom.

It was noted that, quite apart from the question of sanctions, it was desirable to restrict the abnormally high flow of Iranian visitors.

It was agreed

- i. that the Department of Trade should give further consideration to imposing a ban on Iranian civil aviation, which would have disadvantages in terms of British interests but might be desirable as part of a package of measures;
- ii. that there was a prima facie case for allowing Iranians attending military courses in the United Kingdom to complete them (as was being done in equivalent cases in the United States).

As regards the possibility of an arms embargo, it was agreed that the main problem would be whether to allow current contracts to be fulfilled. The Foreign and Commonwealth Office, in consultation with the Ministry of Defence,

were invited to arrange for the possibility of so doing to be discussed with the Italian and French Governments, who were comparably placed; and to ascertain whether in the case of Iran the United States Government would in fact be breaking contracts, which it was noted they had decided not to do in the context of their Afghanistan-related ban on grain supplies to the Soviet Union. Although the Americans might well be dissatisfied with a British arms embargo which exempted current contracts, it was argued that in the absence of a United Nations sanctions resolution the Government had both a moral and a legal obligation to make such an exemption. It was agreed to revert to the question when fuller information was available about what contracts were actually involved and what attitude allies such as France and Italy were taking.

On the particular case of the fleet replenishment ship Kharg, which Swan Hunter were almost ready to deliver to the Iranian Navy, it was agreed

- a. that when further administrative delay became impossible the Ministry of Defence should advise Swan Hunter to issue the 30-day notice of availability in accordance with the terms of the contract, which would mean that final sea trials would begin;
- b. that the Ministry of Defence should make clear to Swan Hunter that the ship could not actually be handed over to the Iranians without the Government's permission, since this would require either an export licence or The Queen's permission for the commissioning of the ship into the Iranian Navy to take place in Britain;
- c. that the ship should be delivered to the Iranians at the end of the 30 days period, if the American hostages had by then been released or if the Government had decided to exempt existing contracts from any arms embargo;
- d. that the Attorney General, in consultation with others concerned, should give further thought to what the Government's legal position and financial liability might be if neither of the conditions at c. above were fulfilled and the handing over of the ship to the Iranians had to be prevented.

Finally, it was noted that the economic cost to Britain of Iranian retaliation for any economic sanctions imposed might be considerable and would need to be carefully weighed before any decision to impose such sanctions was taken; and that local opinion in South West Asia seemed to be increasingly inclined to regard the question of sanctions against Iran as much less important than the major issue of how to react to the Soviet invasion of Afghanistan.

Afghanistan

It was noted that the European Community's Foreign Affairs Council had on 15 January issued a declaration which was forcefully worded but lacking in substance. Satisfactory agreement had been reached on not replacing American grain exports to the Soviet Union. But the French and Irish had not agreed to a British proposal that subsidised butter sales to the Soviet Union should be terminated, although something had been achieved in that the Commission were temporarily suspending the prefixation of export restitution, and it was encouraging that Chancellor Schmidt had told the Prime Minister on the telephone on 15 January that he was opposed to butter sales continuing. On credit, there had been a disagreement between the French view that this was not a matter for the Community and the Commission's view that it was.

It was further noted that the discussion in the North Atlantic Council on 15 January had been lamentably indecisive. Some minor political measures, eg on the cancellation of visits, had been agreed. The Germans were sympathetic to the American wish for economic measures. But the French seemed to be against these, while claiming that they were not excluded. Some joint action might be possible on credit and on COCOM. On the Olympic Games, the Americans and Canadians appeared willing to support their transfer away from Moscow; the Germans had noted that public opinion seemed to be moving in that direction; but no one else had spoken on the issue, except for the Norwegians who were sceptical.

It was agreed

- i. that further consideration should be given to the possibility of Britain, in agreement with the Americans and perhaps others such as the Germans, taking a firm lead in proposing the transfer of the

Olympic Games away from Moscow, on the basis of an initial approach either to the Canadian Government (as potential hosts if the transfer were to Montreal) or to the International Olympic Committee.

ii. that further consideration should also be given to the less attractive possibility of officially discouraging British athletes from attending the Games if these were after all held in Moscow;

iii. that as a minimum, if the Games were held in Moscow with the participation of British athletes and the British Olympic Committee, there should be no official British representation.

As regards economic measures against the Soviet Union, it was agreed

a. that Britain should only adopt measures in common with her principal allies;

b. that, subject to a, no British credit should be made available to the Soviet Union on terms more favourable than those envisaged by the OECD Consensus;

c. that the Anglo-Soviet credit agreement should not be renewed after its expiry in February;

d. that it should be made clear, publicly but without undue emphasis, that Britain would be exploring with her partners the possibility of tightening and extending the COCOM restrictions;

e. that as regards food exports by the European Community, the Government should make clear, forcefully and publicly, their opposition to any subsidised sales of butter, sugar or meat.

It was further agreed that the case for Britain being as helpful as possible in support of American policy over Afghanistan was all the stronger because of her comparative inability to support present American policy over Iran.

THE PRIME MINISTER, summing up the discussion, said that the meeting's conclusions should be reported to the Cabinet on 17 January; and that further consideration should be given to outstanding points at the meeting of the Defence and Oversea Policy Committee already arranged for 22 January. For that meeting, the Secretary of the Cabinet should arrange for a paper to be prepared by officials on the Iranian problem, making clear the issues for decision and providing the necessary factual background; and the Foreign and Commonwealth Secretary, in consultation with others concerned, should similarly put forward a paper on the issues which needed to be decided in relation to Afghanistan. Meanwhile, no reply would be sent to her message from President Carter.

The Meeting -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Instructed the Secretary of the Cabinet to arrange for the preparation of a paper setting out issues for decision on Iran, with supporting details.
3. Invited the Foreign and Commonwealth Secretary similarly to put forward a paper on issues for decision on Afghanistan.
4. Agreed to resume consideration of both subjects at the meeting of the Defence and Oversea Policy Committee on 22 January.

Cabinet Office
18 January 1980

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For
Hand

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

21st January, 1980

Ref. A01193

Dear Michael

South West Asia

I attach a record of the meeting chaired by the Prime Minister at No. 10 on 16th January. I am sorry this has not gone round earlier.

I am copying this letter, and the attachment, to the Private Secretaries to those present at the meeting.

Yours sincerely,

Stephen Vile

for (M.J. Vile)

M. O'D.B. Alexander, Esq.

21 JAN 1960

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FM WASHINGTON 162141Z JAN 80

TO PRIORITY F C O

TELEGRAM NUMBER 259 OF 16 JANUARY 1980

INFO ISLAMABAD TEHRAN EC POSTS NEW DELHI

YOUR TELNO 110: IRAN

1. WHEN I SAW BRZEZINSKI TODAY I TOLD HIM ABOUT THE VIEW EXPRESSED TO YOU BY THE SAUDIS AND PAKISTANIS THAT THE IMMEDIATE TIGHTENING OF SANCTIONS BY THE AMERICANS WOULD UNDERMINE ISLAMIC SUPPORT, PARTICULARLY BEFORE THE IRANIAN PRESIDENTIAL ELECTION AND THE ISLAMIC FOREIGN MINISTERS CONFERENCE. I SAID THAT THIS WAS ALSO THE VIEW OF COMMUNITY AMBASSADORS IN TEHRAN. IT HAD ALSO BEEN PUT TO CHRISTOPHER IN LONDON.

2. I ADDED THAT THE SOVIET INVASION OF AFGHANISTAN HAD ALTERED THE SCENERY FOR SANCTIONS. THE IMPORTANT THING NOW WAS TO DO NOTHING THAT PREVENTED ISLAMIC HOSTILITY FOCUSSED ON THE SOVIET UNION. IT STRUCK ME TOO THAT THE EXPULSION OF THE AMERICAN JOURNALISTS FROM IRAN MIGHT HELP THE U S ADMINISTRATION IN THIS RESPECT SINCE IT MOVED THE SPOTLIGHT FROM THE HOSTAGE ISSUE AND COULD SAVE THE U S GOVERNMENT FROM CONSTANT PRESSURE TO DO SOMETHING ABOUT THE HOSTAGES.

COULD SAVE THE U S GOVERNMENT FROM CONSTANT PRESSURE TO DO SOMETHING ABOUT THE HOSTAGES.

3. BRZEZINSKI SAID THAT HE WAS NOT AT ALL UNSYMPATHETIC TO THESE VIEWS. HE ATTACHED IMPORTANCE TO THE IRANIAN PRESIDENTIAL ELECTION AND EVEN MORE TO THE ISLAMIC FOREIGN MINISTERS' MEETING. HE SAID JOKINGLY FOR MY EARS ONLY THAT WHAT HAD HAPPENED TO THE AMERICAN JOURNALISTS WAS THE SECOND BEST THING POSSIBLE; THE BEST THING WOULD HAVE BEEN IF THEY HAD BEEN TAKEN HOSTAGE (EXCLAM) BUT THE U S GOVERNMENT COULD NOT CEASE TURNING THE SANCTIONS SCREW ALTOGETHER. HE THOUGHT THAT THEY MIGHT MODIFY THE PRESSURE, BUT THEY COULD NOT REMOVE IT ALTOGETHER. HE THOUGHT THAT SOME OF THOSE WHO WERE CALLING FOR DELAY IN IMPLEMENTING SANCTIONS HAD THEIR OWN PARTICULAR MOTIVES FOR DOING SO. HE WAS ALSO OBVIOUSLY CONCERNED ABOUT U S OPINION WHICH WAS BEGINNING TO SLIP (WE ARE REPORTING SEPARATELY THE LATEST POLL WHICH INDICATES INCREASED DOUBTS ABOUT THE HANDLING OF THE HOSTAGE ISSUE).

4. I ASKED WHAT WAS THE TIMETABLE FOR FURTHER STEPS ON IRAN TO WHICH BRZEZINSKI SAID THAT HE WAS WAITING TO DISCUSS IT WITH WARREN CHRISTOPHER UPON HIS RETURN FROM EUROPE. I HAVE AN APPOINTMENT WITH VANCE AT NOON ON 18 JANUARY AT WHICH I PROPOSE TO DISCUSS THE IRAN AND AFGHAN PROBLEMS.

5. BRZEZINSKI EXPRESSED GREAT INTEREST IN HEARING ABOUT YOUR TALK WITH MRS GANDHI AND I PROMISED TO SEE HIM AGAIN WHEN I HAVE RECEIVED AN ACCOUNT

6. I AM REPORTING SEPARATELY ON BRZEZINSKI'S IDEAS ABOUT A QUOTE REGIONAL SECURITY FRAMEWORK UNQUOTE FOR THE ARC OF CRISIS AND ON THE IMPORTANCE OF THE INDIAN DIMENSION OF WHICH HE IS VERY MUCH AWARE.

7. YOU MAY WISH TO REPEAT THIS TELEGRAM AND YOUR TELEGRAM UNDER REFERENCE TO UKMIS NEW YORK AND JEDDA.

HENDERSON



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TO ROUTINE FCO

TELEGRAM NUMBER 054 OF 16 JANUARY

INFO ROUTINE UKMIS NEW YORK, WASHINGTON, KABUL AND MOSCOW.

MY TELNO 43: IRANIAN REACTION TO SOVIET INVOLVEMENT IN AFGHANISTAN

1. AYATOLLAH GOLPAYEGANI, ONE OF THE COUNTRY'S SENIOR AYATOLLAHS THOUGH NOT POLITICALLY ACTIVE AT PRESENT, ISSUED A MESSAGE ON 11 JANUARY WHICH INCLUDED THE FOLLOWING REFERENCE TO THE SOVIET ACTION IN AFGHANISTAN:- "MUJAHED IRANIAN NATION ... I ... WARN YOU THAT ISLAM'S REPUTATION, THE MOSLEM COMMUNITY'S HONOUR, IRAN'S INDEPENDENCE AND THE BLOOD SACRIFICED FOR THE SAKE OF THE ISLAMIC REVOLUTION ARE IN DANGER. ENEMIES ARE CONCOCTING DEEP AND EXTENSIVE PLOTS FROM ALL SIDES. EAST, WEST, THE WORLD PREDATOR AMERICA AND THE LEFTWINGERS, THOSE MESMERISED BY MARX'S ATHEISTIC DOCTRINE, HAVE ALL PUT ARROWS IN THEIR BOWS AND AIMED THEM AT ISLAM, THE QORAN, AND YOU, THE RISEN REVOLUTIONARY NATION. WHILE IRAN'S ISLAMIC REVOLUTION AND THE REVOLDSIONARY REVELATIONS EXPOSE AMERICA'S INHUMAN RIGHTS STAND AND THE AGGRESSIVE NATURE OF COLONIALISM AND THE US, ... THE SOVIET UNION HAS SUBJECTED OUR CO-RELIGIOUS BROTHER NATION OF AFGHANISTAN TO A RUTHLESS MILITARY INVASION ... YOU MUST BEWARE THAT THE HONOUR OF ISLAM AND ISLAMIC COUNTRIES DEPENDS ON YOUR VIGILANCE AND ON HOW YOU DEAL WITH CURRENT EVENTS ..."

2. AT HIS PRESS CONFERENCE YESTERDAY (MY TELNO 53), QOTBZADEN SAID: "AS LONG AS THE U.S. USES ITS INFLUENCE TO INTERFERE IN THE INTERNAL AFFAIRS OF IRAN OR ANYWHERE ELSE IN THE WORLD, THE SOVIET UNION WILL HAVE THE OPPORTUNITY FOR MILITARY INTERVENTION IN AFGHANISTAN ... "WE FULLY SUPPORT THE STRUGGLE OF THE PEOPLE OF AFGHANISTAN AGAINST THE INVASION OF THEIR COUNTRY BY THE SOVIET UNION AND CONDEMN THE ACTION OF THE SOVIET UNION. THE SOVIET ATTACK ON AFGHANISTAN IS VERY DANGEROUS FOR OUR COUNTRY AND THREATENS OUR BALUCHESTAN AND WE CAN NOT KEEP SILENT ABOUT IT. WE ALSO FOLLOW ON INDEPENDENT POLICY. OUR POLICY IS NOT BASED ON REACTIONS

/ TO OTHER

TO OTHER POLICIES. UNLIKE SOME SERVANTS OF THE SOVIET UNION IN IRAN, THINGS ARE NOT BLACK AND WHITE FOR US THAT THE SOVIET UNION IS GOOD AND THE U.S. IS BAD AND UNLIKE SOME SERVANTS OF THE U.S. WHO BELIEVE THE U.S. IS GOOD AND THE SOVIET UNION IS BAD: WE BELIEVE IRAN IS GOOD AND WE ACT IN THE FRAMEWORK OF IRANIAN INTERESTS."

3. I AM SENDING BY BAG (NOT TO UKMIS NEW YORK OR KABUL) THE TEXT PUBLISHED HERE OF BABRAK'S MESSAGE OF 12 JANUARY TO KHOMEINI (KABUL TELNO 39).

GRAHAM

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 AND EEC POSTS.

UKMIS TEL NO 104 TO YOU (NOT TO ALL: IRAN-SECURITY COUNCIL.

1. THE IRANIAN REACTION TO THE VOTE HAS BEEN VERY LOW-KEY. ALTHOUGH MOST AFTERNOON NEWSPAPERS YESTERDAY MADE IT THE SUBJECT OF THEIR HEADLINES, THE REPORTS WERE ALL FROM AGENCIES WITH LITTLE COMMENT. NEWS OF THE VOTE WAS CARRIED IN YESTERDAY RADIO NEWS BULLETINS BUT YESTERDAY'S MORNING PAPERS WERE PRINTED TOO EARLY TO CARRY THE STORY, AND TODAY'S, WITH THE EXCEPTION OF THE ENGLISH-LANGUAGE TEHRAN TIMES, HAVE MOVED ON TO THE EXPULSION OF AMERICAN JOURNALISTS AND SPECULATION OVER THE POSSIBLE WITHDRAWAL OF JALALEDDIN FARSI FROM THE PRESIDENTIAL ELECTIONS. LEADING ARTICLES DEAL WITH THESE MATTERS RATHER THAN SECURITY COUNCIL VOTE.

2. KHOMEINI HAS NOT COMMENTED AT ALL. THERE WERE RUMOURS YESTERDAY THAT HE HAD CRITICISED THE SOVIET VETO, BUT IT SEEMS LIKELY THAT THIS MERELY REFLECTED CONFUSION OVER HIS DENUNCIATION OF REMARKS ATTRIBUTED TO THE SOVIET CHARGE D'AFFAIRES

DENUNCIATION OF REMARKS ATTRIBUTED TO THE SOVIET CHARGE D'AFFAIRES IN MEXICO (MY TELNO 48 (NOT TO ALL), WHICH WAS CARRIED IN ALL THE RADIO NEWS BROADCASTS AND OVERSHADOWED EVERYTHING ELSE (IF THE RUSSIANS LOOKED FOR GRATITUDE THEY HAVE CERTAINLY BEEN DISAPPOINTED). THE STRONGEST GOVERNMENT STATEMENT HAS COME FROM QOTBZADEH, WHO SAID YESTERDAY THAT HE HAD TOLD THE UN SECRETARY GENERAL MANY TIMES THAT A VOTE FOR ECONOMIC SANCTIONS AGAINST IRAN WOULD BE A RETROGRADE STEP IN SOLVING THE US/IRANIAN CRISIS AND THAT AMERICAN ATTEMPTS TO PUT PRESSURE ON IRAN WOULD HEIGHTEN THE CRISIS. INTERNATIONAL NEWS AGENCIES INFLUENCED BY "DIRTY ZIONISTS" FORGED THE TRUTH AND UNFORTUNATELY SOME INTERNATIONAL NEWS ORGANS ALSO REFLECTED MATERIAL INACCURATELY : THE IRANIANS WERE VERY CLEAR AND EXPLICIT AND THERE WAS NO AMBIGUITY IN THEIR NEGOTIATIONS AND LETTERS. IT WAS STILL THE IRANIAN POSITION THAT THE RELEASE OF THE HOSTAGES WITHOUT THE EXTRADITION OF THE EX-SHAH WOULD BE MEANINGLESS.

3. AT 2 P.M. YESTERDAY THE MINISTRY OF FOREIGN AFFAIRS ISSUED THE FOLLOWING STATEMENT : "AS WE INFORMED THE UNITED NATIONS AUTHORITIES AT 2 A.M. TEHRAN TIME THIS MORNING, THE DECISION OF THE SECURITY COUNCIL AND ANY ORGANS OF THE UN WHICH ARE NOT IN LINE WITH THE JUSTIFIED DEMANDS OF THE IRANIAN PEOPLE, IS NOT ACCEPTED BY US AND IS CONSIDERED NULL AND VOID. NOW THAT THE US STUBBORN AND BASELESS ATTEMPTS HAVE BEEN DEFEATED, WE CALL ON OTHER GOVERNMENTS NOT TO GET INVOLVED IN THE POLITICAL GAMES OF THE US AND TO AVOID ANY MEASURE WHICH MAY DAMAGE OUR RELATIONS WITH THE RESPECTIVE GOVERNMENTS".

4. RAFSANJANI, THE SUPERVISOR OF THE MINISTRY OF THE INTERIOR, COMMENTED ON THE POSSIBLE EFFECTS OF SANCTIONS IN AN INTERVIEW WITH AZADEGAN NEWSPAPER YESTERDAY. HE SAID THAT THE US EFFORT WAS NAIVE WHEN COUNTRIES AND COMPANIES COMPETED AND WERE LOOKING TO EXPAND THEIR MARKETS. THE MOMENT THE NEWS OF ECONOMIC SANCTIONS WAS PUBLISHED, OTHER COUNTRIES AND COMPANIES HAD INFORMED THE IRANIANS THAT THEY WOULD SEEL WHATEVER GOODS THE US WOULD NOT, AND AT CHEAPER PRICES. EVEN AMERICAN COMPANIES HAD SAID THEY WOULD SHIP GOODS THROUGH THIRD COUNTRIES. IRAN DID NOT CARE IF SOME LUXURY GOODS WERE NOT IMPORTED. THEY DID NOT FEAR ECONOMIC SANCTIONS, WHICH EVEN HELPED THE COUNTRY... IF IRAN DID NOT EXPORT THE 2 MILLION BARRELS OF OIL PER DAY AS AT PRESENT, THE PRICE OF OIL WOULD GO UP TO DOLLARS 200 A BARREL AND WOULD BANKRUPT THE WESTERN ECONOMY. AMERICA COULD DO NOTHING.

5. THE CHAIRMAN OF THE CENTRAL BANK OF IRAN, NOWBARI, HELD A PRESS CONFERENCE YESTERDAY TO OUTLINE THE BANK'S EFFORTS

5. THE CHAIRMAN OF THE CENTRAL BANK OF IRAN, NOWBARI, HELD A PRESS CONFERENCE YESTERDAY TO OUTLINE THE BANK'S EFFORTS IN FACE OF US ECONOMIC PRESSURES. DURING HIS RECENT VISIT TO EUROPE HE HAD HELD A MEETING OF 14 IRANIAN LAWYERS BASED IN EUROPE AND THE US TO DISCUSS "DEFENSIVE AND OFFENSIVE STRATEGIES". HE SAID THERE WOULD BE AN INTENSIVE PUBLICITY CAMPAIGN TO COMPEL EUROPE TO CONDEMN PRESIDENT CARTER'S ACTION (IN PARTICULAR THE US ATTEMPT TO EXTEND ITS JURISDICTION TO BANKS IN THIRD COUNTRIES) ; MANY EUROPEAN LAWYERS AND BANKERS FAVOURED IRAN'S CASE AGAINST OFFENDING EUROPEAN BANKS. NOWBARI SAID HE HAD TOLD THE GOVERNOR OF THE BANK OF ENGLAND (LAST MONTH, I THINK, WHEN I BELIEVE THEY MET) THAT UNLESS MRS THATCHER CLEARLY DISSOCIATED HERSELF FROM CARTER'S PLAN, IRAN WOULD "EXERCISE FINANCIAL CONSTRAINTS ON ENGLAND", AND OTHER EUROPEAN BANKS WOULD BE SUBJECT TO POLITICAL AND ECONOMIC PRESSURE WITH THE HELP AND COOPERATION OF FRIENDLY MOSLEM COUNTRIES. HE ALSO SAID THE HEAD OF THE AUSTRIAN CENTRAL BANK HAD DECLARED THAT AUSTRIA WAS NOT ONLY AGAINST SANCTIONS BUT WOULD OPPOSE THEM.

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10 DOWNING STREET

From the Private Secretary

15 January 1980

Dear Rodric,

The Prime Minister's telephone conversation
with Chancellor Schmidt

Chancellor Schmidt telephoned the Prime Minister at lunchtime today. The Chancellor's office, in arranging the call yesterday, made it clear that Chancellor Schmidt had no specific points to put to the Prime Minister but that he wished to make contact with her about the problems of Iran and Afghanistan. They implied that the Chancellor viewed the conversation in the same context as his recent meeting in Paris with President Giscard.

Chancellor Schmidt told the Prime Minister (as his office had told us yesterday) that he had not been very well recently. He added that his illness had not yet completely cleared up and that he would be cancelling a number of engagements scheduled for the next few days.

Afghanistan

Chancellor Schmidt told the Prime Minister that, given the present international situation, he thought it important that they should be in personal touch. The Prime Minister agreed. She said that the important thing seemed to her to be that the European countries should do what they could to help the United States and that they should do it together. She was anxious that the West's condemnation of the Soviet invasion of Afghanistan should not be limited to words. It was important that action should follow. She instanced the extension of credit, the sale of butter and the export of high technology as matters on which Europe could do something. Chancellor Schmidt agreed about the need for collective support for the United States and also agreed on credit (while pointing out that the Federal Republic did not extend special credit terms to the Soviet Union), and on the sale of butter. As regards the export of high technology, he thought this should be dealt with in COCOM.

The Prime Minister said that it would be a great propaganda coup for the Russians if the Olympics were held as planned in Moscow. She thought that it might be worth trying to persuade the International Olympic Committee to move the Games to eg Montreal. Chancellor Schmidt said he hoped the Games would not be moved to Munich. He also

/wondered

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wondered whether action on the Olympics should not be held back for a month or two in order to leave the West with a lever for future use. The Prime Minister said that she was doubtful whether the decision could be left for long.

Chancellor Schmidt said that he wanted to intensify the political dialogue between Europe and the Gulf States. He had mentioned this idea to the Americans. They were in favour of it as long as the dialogue was not aimed at economic cooperation. He thought that the Gulf States needed guidance and psychological reassurances at present. The Prime Minister said that it was for this kind of reason that the Foreign and Commonwealth Secretary had gone to the area. She said that she agreed about the need to develop the dialogue but that it would be important to avoid raising false hopes about what might be achieved. She agreed with Chancellor Schmidt that it would be useful if the Foreign and Commonwealth Secretary could share his assessment of the situation in South-West Asia, as soon as possible after his return with his European colleagues.

Chancellor Schmidt commented that he had been very impressed by the knowledge of those whom he had met in Madrid about the under-currents of thinking and feeling in some of the Arab countries. He had asked Mr. Suarez to share these insights with President Carter. In his own view, there was at present a greater possibility of rapprochement among the Arab countries, including Egypt, than at any time since the Camp David Agreement had been signed. Chancellor Schmidt said that he intended to make a statement in the Bundestag on his Government's policy on Afghanistan. He would stress the need for solidarity within the Western Alliance and within the EEC. His remarks on this would be strong and unequivocal. He would go on to add that in times of crisis one should not interrupt all ones lines of communication. Indeed in times of crisis communication was even more important than normally. He hoped therefore that SALT II, CSCE and MBFR would be proceeded with. He intended to check this part of his speech with President Carter. The Prime Minister said that she doubted whether the President would wish to upset the MBFR, CSCE or SALT talks. The Chancellor added that he intended to hint at willingness on the part of his Government to give further financial aid to Turkey. He agreed with the Prime Minister that this might be very expensive.

Chancellor Schmidt said that he and his Cabinet distinguished between their attitude towards the Soviet Union and that towards the other Communist States of Eastern Europe. It was important not to force the latter States into a stronger alignment with the Soviet Union on the Afghan issue than they would otherwise have been inclined to adopt. The Prime Minister agreed. She said that she was particularly worried about the position of Yugoslavia. Chancellor Schmidt added Romania and Berlin to the list of territories of particular concern.

On high level talks, Chancellor Schmidt said that the Soviet Union had not yet proposed dates for his own visit and that of Mr. Genscher to Moscow. On the other hand they had postponed a

/prospective

prospective visit by a Deputy Prime Minister, Mr. Tikhonov, who was at present acting for Mr. Kosygin. His general approach to the question of visits was that there was no question of business as usual but that very high level meetings might be useful. In that connection, he mentioned that there was still a possibility that he might meet soon with the Head of State of the German Democratic Republic.

Iran

The Prime Minister asked Chancellor Schmidt whether he had any ideas about the way forward on Iran. Chancellor Schmidt said that leadership on this problem should be left to President Carter. The 50 hostages were American citizens. The Prime Minister pointed out that Mr. Carter would probably try to persuade the Europeans to implement voluntarily the trade sanctions which had been included in the vetoed resolution. Although the British Government had agreed to implement some financial measures voluntarily, they had no power to implement trade sanctions without a UN resolution. Chancellor Schmidt said that the German Government also would have legal difficulties on some points. He had told President Carter that he would, in principle, participate in the implementation of voluntary sanctions but it was not clear to him what the President had in mind. These matters would best be discussed in the EEC. On the general situation in Iran, Chancellor Schmidt commented that there was no longer any focal point on which pressure could be brought to bear. There was no-one who would respond to pressure or who was in a position to give instructions to the people who were holding the hostages. However, it had to be left to President Carter to decide how to play the hand. He said that he agreed with the Prime Minister's assessment that there was no prospect of the "students" releasing the hostages.

I am sending copies of this letter to Brian Norbury (Ministry of Defence), John Wiggins (HM Treasury), Stuart Hampson (Department of Trade) and Martin Vile (Cabinet Office).

Yours ever

Richard Alexander

Roderic Lyne, Esq.,
Foreign and Commonwealth Office

Ref: B05894

Original filed
Afghanistan (sit) PR2

9

PRIME MINISTERIran and Afghanistan

Your meeting at 4 pm tomorrow is to consider -

- a. On Iran, how far can we agree to the United States request to implement voluntarily the sanctions which the Security Council only failed to make mandatory because of the Russian veto? The Lord Privy Seal's minute to you of 11th January is the key document, plus the records of Mr Christopher's visit on 14th January.
- b. On Afghanistan, how far can Ministers collectively agree to the measures against the Soviet Union suggested in the Foreign and Commonwealth Secretary's minute to you of 8th January, and how should you reply to the message from President Carter which Mr Christopher brought you on 14th January?

2. The meeting will be attended by the Home Secretary, the Chancellor of the Exchequer, the Lord Privy Seal (and/or Mr Hurd), the Secretaries of State for Industry, Trade and Energy, the Minister of Agriculture, the Attorney General, Lord Strathcona (representing the Defence Secretary) Mr Monro (as "Minister for Sport"), the Governor of the Bank and Sir Robert Armstrong.

BACKGROUND

3. The Cabinet on 10th January expressed considerable doubt about economic measures against Iran or the Soviet Union, given the vulnerability of our position as a trading nation and the extent of our economic problems. A factual paper was commissioned on (essentially) the economic costs of action against the Soviet Union. This will be circulated by Sir Robert Armstrong's office tonight.

4. British action is contemplated only in association with our major Allies. The American position was put to you and others here by Mr Christopher on 14th January. They are pressing strongly, on Iran,

for voluntary implementation of all the sanctions voted on by the Security Council; and, on Afghanistan, for the maximum Western effort both on "punitive" measures against the Soviet Union and on "affirmative" action vis-a-vis Pakistan and other potential victims. They were disappointed by our cautious response on Iran, which they contrasted with your firm support in December. They are since likely to have been further ~~disappointedly~~ disappointed by similar caution on the Continent.

5. Allied positions should be clearer in the light of today's meetings in Brussels of the European Council and the North Atlantic Council, attended by Sir Ian Gilmour and Mr Hurd respectively. The French were initially negative, but on Afghanistan have since shown signs of co-operativeness, despite their "special relationship" with the Russians. "Solidarity but not alignment" with the Americans is now their slogan. The Germans will be more sympathetic to the Americans. But their relations with the Soviet Union are of special importance to them, both economically (they have the biggest Western stake in the Soviet market) and politically (Berlin, etc.); and in the end their instinct for solidarity with the French is likely to be decisive.

6. Sir Robert Armstrong is today attending a quadripartite meeting in Paris with Dr Brzezinski and their French and German opposite numbers. This was set up by the White House to discuss both Iran and Afghanistan. The Federal Chancellery has concealed its existence from the German Foreign Ministry, and the White House and Elysee may have done likewise. We have not. But colleagues should be warned that knowledge of this meeting should not be revealed to others.

7. In Parliament, Mr Hurd's preliminary statement on Afghanistan on 14th ~~July~~ clearly disappointed some Government supporters, particularly over the Olympic Games, on which there was also a Labour call for action. Your meeting will need to consider the timing and level of future statements on both Afghanistan and Iran. Lord Carrington will no doubt report to the Lords on his Asian tour, from which he returns on 18th January. He hopes to circulate that evening a paper on the subject for consideration

by OD on 22nd January. He is naturally the main advocate of maximum British action on both fronts. Mr Nott, who led for the minimalists in the Cabinet, will be in the Far East from 18th to 31st January.

8. The JIC is working on an Afghanistan-related note on what effect United States counter-measures can be expected to have on the Soviet Union. This will not be available before 18th January. The main conclusion is likely to be that only the grain ban could do lasting damage.

9. Wedge-driving within the Western Alliance is clearly going to be an important Soviet objective, in relation both to Iran and to Afghanistan. They will hope to divide America from her main Continental allies (and Japan); and they will be only too glad if Britain can be shown in this context as an anti-European stooge of America.

HANDLING

10. Reports of Meetings You will wish to begin by asking Sir Ian Gilmour and/or Mr Hurd to report on yesterday's meetings in Brussels; and Sir Robert Armstrong to report on his Paris meeting. All three reports will cover both Iran and Afghanistan. Thereafter, despite the difficulties, it would probably be best to try to consider the two issues separately, until you draw the threads together at the end.

11. Iran

a. The Lord Privy Seal and/or Lord Strathcona may wish to comment on the prospects for United States military action, eg mining or blockading the Gulf.

b. The Lord Privy Seal should report on plans for withdrawing or retaining our Embassy.

c. The Secretary of State for Energy may wish to comment on the oil supply position.

d. The Lord Privy Seal and Attorney General should comment on Mr Christopher's idea that the Security Council's un-vetoed resolution of 31st December may give us legal cover to use the United Nations Act to implement the sanctions which the Russians vetoed on 13th January.

e. Your colleagues should be invited to endorse your statement to Mr Christopher that we cannot contemplate new legislation.

f. The meeting could then consider the list of measures in paragraph 4 of Sir Ian Gilmour's minute of 11th January. The need for legislation seems to rule out items vii-x. A civil trade embargo (item vi) depends on Community attitudes. That leaves -

i. reducing the Iranian Embassy here. Lord Privy Seal to lead. Pretty small beer.

ii. Arms embargo. Lord Strathcona to lead. Expensive but probably inevitable. Note the Kharg case (Mr Pym's minute to Sir Ian Gilmour of 11th January).

iii. Immigration control. Home Secretary to lead. A useful step, if not too dangerous to our Embassy.

iv. Civil aviation ban. Mr Nott to lead. Probably worthwhile.

g. General Neither we nor other United States allies are likely to be able to do much to meet United States wishes. Objectively, this ought not to make the hostages' release less likely, since we regard United States pressure as misconceived. But subjectively it will annoy the Americans and so strengthen the case against snubbing them over Afghanistan too.

12. Afghanistan

a. Counting the cost. You will wish to draw attention to the factual paper commissioned by the Cabinet. Mr Nott and Sir Geoffrey Howe may wish to comment. The figures involved are inevitably imprecise.

b. Olympics Mr Monro to lead. Do your colleagues agree that public opinion seems to be moving in favour of Government action? If so, what should be done and when? Internationally, should we take the lead (thus risking Soviet economic reprisals) or follow others?

- ✓ c. Credit Mr Nott to lead. Is it agreed
- to do only what our main relevant partners also agree to?
 - to aim at no credit below Consensus rates?
 - not to renew the Anglo-Soviet Agreement?
- d. COCOM Sir Ian Gilmour to lead on tightening and Mr Nott on extending. Is it agreed
- that we should aim at tightening vis-a-vis the Soviet Union, but not Eastern Europe or China?
 - ✓ - that we should further explore widening, without commitment?
- e. Food Mr Walker to lead. Is it agreed
- ✓ - that action on grain is complete?
 - ✓ - that action on meat should be further studied?
 - ✓ - that we should press for action on butter?
 - ✓ - that we should oppose action on sugar?
- f. "Positive" measures Action vis-a-vis Pakistan and other Asian countries to be considered after Lord Carrington's return? But does Sir Ian Gilmour wish to comment on the threat to Yugoslavia and what should be done about it?

CONCLUSIONS

13. The substance of these must depend on the outcome of today's Brussels and Paris meetings. But the underlying principles on which to base agreement might be
- i. No British action in advance of main allies, including no British pack-leading.
 - ii. Preference for action on Afghanistan rather than on Iran, given that the danger to the hostages is narrow and temporary while the Soviet threat to peace is wide and permanent.

14. Procedurally, you will wish to conclude

i. that the Lord Privy Seal should draft a message from you to President Carter, replying to his message on Afghanistan and to Mr Christopher's representations on Iran (alternatively the latter could be dealt with through diplomatic channels);

ii. that your colleagues conclusions tomorrow should be reported to the Cabinet on 17th January by the Lord Privy Seal;

iii. that unresolved issues should be taken up at OD on 22nd January (NB no Mr Nott);

iv. that the timing and level of statements in Parliament will have to depend on the nature and timing of decisions reached, by us and by others.

R. L. WADE-GERY

15th January 1980

R L WADE-GERY

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Original filed
Afghanistan (Sit) #2

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A01141

15th January, 1980

Dear Michael

South West Asia

The Prime Minister is to discuss the situation in South West Asia with her colleagues most closely concerned at 4.00 pm tomorrow, 16th January, at 10 Downing Street.

I attach for consideration at this meeting the report commissioned at Cabinet last week on the extent of Britain's and the European Community's economic interests vis-a-vis the Soviet Union and Eastern Europe.

I am copying this letter and its attachment to the Private Secretaries to those attending tomorrow's meeting, namely the Home Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence, the Secretary of State for Industry, the Lord Privy Seal, the Minister of Agriculture, the Secretaries of State for Trade and for Energy, the Attorney General, the Parliamentary Under Secretary of State, Department of the Environment (Mr. Monro) and the Governor of the Bank of England.

Since the report fulfils a remit from Cabinet, copies go additionally to all members of the Cabinet not specified above, to the Minister of Transport and the Chief Whip.

Yours ever

Martin Vile

(M. J. Vile)
Private Secretary

M. O'D. B. Alexander, Esq.

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AFGHANISTAN: POTENTIAL COSTS OF MEASURES AGAINST THE SOVIET UNION

INTRODUCTION

1. This paper gives a preliminary assessment of the potential economic costs to the United Kingdom, either directly or through retaliation, of measures which might be taken against the Soviet Union in the context of its intervention in Afghanistan. The measures considered are those set out in paragraphs 3 and 4 of the minute PM/80/4 of 8 January from the Foreign and Commonwealth Secretary (other than the suspension of visits and exchanges).

GENERAL CONSIDERATIONS

2. i. General restrictions on civil trade would fall within Community competence and could only be adopted by agreement of the Nine. Several of the Nine export more to the USSR and East Europe than the United Kingdom and for economic (and other) reasons might be unwilling to agree to some measures which might involve relatively lower costs for the United Kingdom.
- ii. Although any measures would primarily be directed to the USSR account must be taken of the varying scope for evasion or retaliation by the USSR using East European countries and of costs which might arise vis-a-vis those countries.
- iii. Soviet retaliation could take a variety of forms and need not be confined to the field of any particular western measure. The United Kingdom must act in conjunction with other countries relevant in each field for measures to be effective. Also the cost to the United Kingdom would be likely to be much increased if it was identified as a prime mover in action against the Soviet Union. That cost would be risked and might materialise even if measures advocated by us were not (after discussion with our western allies) eventually adopted.

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iv. Britain, which is relatively more highly dependent on overseas trade (30 per cent of GDP) and international investment than other major countries, has long been opposed in principle to the use of civil economic weapons for political purposes, except under the authority and with the near universal applicability entailed by a mandatory United Nations resolution (and even then possible implications for our policy in Southern Africa must be kept in mind). The experience of such weapons is that they have had little success. And their use unsanctioned by international law has serious implications for international economic relations. The United States has a tradition of readier use of these weapons. Her recent tendency, albeit under great political pressures, to act first and then seek reinforcing actions from her allies, presented serious problems in the case of the Iranian assets freeze; and in relation to the grain embargo on the USSR, though the United States interest in this trade is the dominant one, is not without these disturbing wider implications. To the extent that the Community nonetheless decides in the Afghanistan situation to take action on civil trade, there will be least conflict with our general position if measures adopted: involve withdrawal of Governmental treatment arguably favourable to the USSR (eg withdrawal of EEC restitutions on grain or butter sales), rather than direct interruption of normal civil trade flows; in the field of technology are fully justifiable on strategic grounds.

v. Any measures which lessen the Russian contribution to world energy supplies will hurt the west as well as the Soviet Union.

POTENTIAL DIRECT COSTS

3. A. Ending credits to the USSR at lower than OECD Consensus rates

No costs, provided other western countries also offer no rates below the OECD Consensus (see Annex A). To the extent they did not conform and undercut our rates United Kingdom companies would be seriously disadvantaged. The Anglo-Soviet 1975 Credit Agreement expires on 16 February. Those of France, Italy and Canada have already expired. Refusal to renew the Anglo-Soviet Agreement would not involve costs to the United Kingdom if others did not renew but if they did our exporters would also be at a disadvantage.

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B. Tightening COCOM Restrictions

The loss to United Kingdom exports would be around £14 million (1979) if all COCOM countries agreed to suspend present procedures for exceptions. However some member countries are likely to resist complete suspension and the end result may fall short of this; the United Kingdom export loss would be proportionately less. See Annex B.

The Americans have said that they wish to pursue a differentiated policy designed to encourage signs of independence in Eastern Europe. This fits with our own views. Although there is always some risk that technology sold to Eastern European countries will be passed on to the Soviet Union, this risk is limited by the COCOM requirement for end use certificates. A stricter COCOM embargo on exports to the Soviet Union should not involve significant extra costs for the United Kingdom in terms of reduced exports to Eastern European countries.

Widening the scope of COCOM would require detailed and difficult technical study. Much will depend on what the Americans envisage. We understand that they have not yet reached any conclusions on what new products might be covered by an extended embargo; we have been told informally that they see this as a second phase which would have to be taken more slowly than tightening the existing rules. At this stage it is not possible to make even a rough guess at the possible cost to the United Kingdom of the widening of COCOM's scope. cf C. below.

C. Extending the scope of COCOM

The United States has proposed significantly extending the scope of present COCOM controls to prevent the transfer of a wider range of civil technology to the Soviet Union. The United States could do a certain amount of this unilaterally by refusing re-export licences where equipment provided by other countries incorporated American technology. The effects of this, and of a wider ban on exports would of course depend on the extent of new restrictions but they could seriously affect United Kingdom exports to the Soviet Union which mainly comprise specialist chemicals, plant and other advanced industrial products. Other countries can and do supply most of these products so the ban would be ineffective unless applied in concert with our allies and the Soviets could make much in propaganda terms of less than

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concerted action. Restrictions on particular areas of technology could raise broader policy considerations such as the implication for future world energy markets of limiting Soviet oil and gas development. See Annex C.

D. EEC restrictions on food sales to the USSR

i. Grain

Any restrictions on grain sales to the USSR would be a matter of Community competence. The Commission have just proposed a change in the system of export restitutions which, if confirmed, should shortly prevent any future sales of EEC grains to the USSR except at the full Community price - ie well above the present world price; monitoring of restitutions on grain sales to East European countries would also be extended to cover all such countries.

There would be no significant cost, unless withdrawal of export restitutions were extended to East European countries (though France, the principal Community cereals exporter, claims that she stands to lose some trade with the USSR). If however the United States or Community were to seek to seal up every gap and as a consequence restitutions for East European countries were withdrawn United Kingdom grain prices would be severely hit by the loss of feed barley sales to Poland (which is a major market for the United Kingdom's current surplus of about 1 m. tonnes). See Annex D.

NB The United States unilateral action may already entail United Kingdom costs if world prices are thereby lowered. Each \$1 fall in world prices would mean a net increase of £1.25 million by the United Kingdom to the EEC budget. See Addendum A to Annex D.

Shipping freight rates have already fallen as a result of the United States action and this could affect the profitability of United Kingdom shippers. See Addendum B to Annex D.

ii. Meat

An effective United States food embargo will result in an increasing meat shortage in 1980/81. Community exports of meat to the USSR have fluctuated substantially in the past. Recently they have been mainly poultrymeat: until last year (when it reached 10,000 tonnes) the United Kingdom's share of this trade was negligible.

It is understood that the Commission have indicated to the United States that they will be seeking arrangements to ensure that any withdrawal of United States supplies shall not be replaced by the Community. The Commission have therefore suspended pre-fixing export refunds for poultrymeat. They are expected to propose reductions in the level of refunds and the exclusion of the USSR, while seeking other ways of regulating this trade.

What support is likely for these proposals is not clear. The Community has a surplus of poultrymeat. Member States are therefore concerned about the repercussions on the EEC industry, for which there are no alternative support measures. To attempt to maintain the Community's level of exports it would be necessary to increase export refunds, thus adding to the budgetary cost (there is no intervention for poultrymeat). Given the great fluctuations in the volume of Community trade and the increased pressure from United States sales, it has not been possible to quantify the additional FEOGA expenditure.

iii. Butter

Ending subsidised EEC sales, beyond the quantities already contracted for this winter, would produce a saving to the EEC budget in the short term, since much of the butter would be offered to intervention, and storage costs the community less than export refunds. But in the longer term continuing restrictions on butter sales to the USSR would require a shift in EEC policy towards lower producer price levels, allowing higher unsubsidised consumption; if this did not occur there would be major new costs for the Community with increased expenditure on subsidised internal disposal and on export refunds. Pressure for higher refunds would be greater if New Zealand also restricted sales to the USSR, since this would increase the quantity of butter surplus to requirements on the

world market. Officials' estimate of the cost of clearing 100,000 additional tonnes of butter on present EEC policies is of the order of £16-17 million for the United Kingdom. See Annex E.

iv. Sugar

The Russians generally import about 4 million tonnes a year and usually get most of this sugar from Cuba. This year, following a poor Cuban crop, they have bought about half their needs from the free world market and have contracted already to buy a fair quantity (which Tate's now think may be as much as 1 million tonnes) from the EEC. Because of the large numbers of importers and exporters and the multiplicity of trade flows the Community has little possibility of hurting the Russians by restricting their purchases from the EEC in future should they again need to make substantial imports from the free world market, though it could force them to rely mainly on raw rather than white sugar. However, action to withdraw EEC subsidies from sales of sugar to Russia could not be achieved without substantial changes in the present EEC regime, would not prevent the substantial EEC sales of unsubsidised quota C sugar (likely to total nearly a million tonnes this year), would be strongly opposed by the French and would be particularly costly to the United Kingdom in terms of increased FEOGA contributions. It is estimated that, for every ECU per tonne that the world price dropped relative to Community price and the export refund increased, our United Kingdom expenditure via our share of Community expenditure on export refunds would increase by about £3 million.

POTENTIAL COSTS FROM RUSSIAN RETALIATION

4. A. Trade: raw materials and manufactured goods

Russian retaliation would be limited by the country's overriding need to earn hard currency but, at a cost to itself, the Soviet Union could use its central planning machinery to steer orders so as to damage the interests of particular suppliers. The effect could be increased, to a limited extent as far as the United Kingdom is concerned, by co-ordinating action with other East European countries. Exports of raw materials could not be manipulated as specifically because the Western market mechanism would generally spread

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the effect over the market as a whole. Nevertheless withholding supplies could disrupt particular markets and interests. While the importance of Russian supplies of strategic metals such as chromium, vanadium and manganese to the West should not be exaggerated, it could create difficulty in the future that in each case South Africa is a very important alternative supplier. The situation over platinum group metals, used in industrial catalyts, could be more serious; here South Africa dominates supply. Diverting supplies of industrial diamonds worth some £200-250 million a year from the United Kingdom market would lose us a valuable entrepot trade. Previously the USSR has supplied about 2 per cent of the free world demand for oil but shortages at home and in other CMEA countries suggest that this proportion is likely to drop anyway. As regards manufactured goods, the USSR is an important supplier to the United Kingdom of methanol and particularly naphtha. Withholding Soviet supplies would cause ICI serious difficulty and Eastern Europe as a whole supplies 60 per cent of the methanol used in Western Europe. See Annexes F and G.

B. Agricultural trade and fishing

No significant costs or difficulty from losses of imports from the USSR. See Annex H.

C. Credit Exposure

ECGD has at risk on the USSR some £20 million on up to six-month credit and £860 million (including interest) over 10 years. In addition United Kingdom banks have outstanding against the USSR uninsured lending of some £500 million. But it seems likely that the USSR would be reluctant to abandon its excellent repayment record by defaults, particularly in view of the implications for the credit worthiness and requirements of its East European allies. See Annex I.

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ECGD CREDITS AND THE OECD CONSENSUS

THE CONSENSUS

1. The OECD Consensus sets out guidelines related to the relative wealth of importing countries for maximum credit periods and minimum interest rates which may apply to officially supported export credit of 2 years or more. The United Kingdom, all other EEC countries and the major Western trading countries subscribe to the Consensus. The minimum interest rates currently applying to countries in the category in which the USSR is placed are -

for credits between 2 years and 5 years inclusive	7 $\frac{1}{4}$ %
for credits of over 5 years	7 $\frac{3}{4}$ %

THE ANGLO-SOVIET CREDIT AGREEMENT

2. The Anglo-Soviet Credit Agreement was signed in February 1975. It provided a framework for ECGD support for export credits to USSR. ECGD indicated willingness to support contracts of up to £950m over a 5-year period on up to 8 $\frac{1}{2}$ years credit terms. In order to match the French, lower than Consensus interest rates (7.1 per cent to 7.45 per cent) were indicated. So far firm contracts for some £540m have been financed under the Agreement. The Agreement comes to an end on 16 February 1980. There is no provision in the Agreement for its renewal, and ECGD could continue support trade with the USSR on a case by case basis without a formal Agreement. On the other hand it is Russian practice to operate with Agreements of this nature and it is likely that other Western countries will renew existing Agreements. Every effort is being made to ensure that if they do so the interest rate charged will be on at least Consensus terms. If other countries renew Agreements the United Kingdom could be at a disadvantage in future trade with the USSR if a new Agreement was refused. Similarly United Kingdom exports would suffer if we offered less favourable credit terms than the USSR could obtain elsewhere.

OFFICIALLY INSURED COMMITMENTS ON THE USSR

3. i. ECGD has at risk on the USSR some £20m of business on up to six months credit and £860m, including interest, on business on terms in excess of six months. This latter figure is repayable over the 1980s.

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ii. other EEC countries have collectively £230m at risk on terms up to six months credit and £7,142m on terms in excess of six months. Of this latter figure French commitments amount to £2,928m and West German commitments to £2,495m.

OFFICIALLY INSURED COMMITMENTS ON EASTERN EUROPE
EXCLUDING USSR

4. i. ECGD has at risk on all other East European countries some £44m on up to six months credit and £1,540m on terms in excess of six months.

ii. Other EEC countries have collectively £110m at risk on up to six months credit and £5,191m on terms in excess of six months. Of this latter figure French commitments amount to £2,545m and West German commitments to £954m. The West German figure excludes commitments on East Germany.

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ANNEX B

TIGHTENING COCOM RESTRICTIONS

1. Application of the "full rigour" of COCOM regulations would affect -
 - a. goods caught by COCOM's embargo on strategic exports, but which member countries agree unanimously should be exempted (General Exceptions Procedure);
 - g. goods caught by the COCOM embargo but of low strategic importance, for which individual member countries may issue an export licence without reference to COCOM (Administrative Exceptions Procedure). Spare parts etc of goods already approved under the General Exceptions procedure can also be approved administratively.
2. British goods, for which application was made for export to the Soviet Union under category a. were worth a total of US\$ 13.51 million in 1979. Much the biggest item was a crop forecasting system worth \$8.75 million, for which approval is still pending. The bulk of the other cases were computer-related. British goods, approved administratively under category b. in 1979, were worth \$18.66 million. Of these, computers and related equipment accounted for \$16.75 million.
3. If no exceptions were made under either category, either by unilateral United Kingdom action or as a matter of (unanimous) COCOM policy, the cost in terms of British exports to the Soviet Union foregone would be of the order of £14 million. The Americans are likely to aim for the exclusion of all exceptions and have the sanctions both of a veto on exceptions and of the refusal of an export licence for essential components of United States origin. But other member countries of COCOM might be unwilling to accept a policy so rigorous as to exclude all exceptions. For example, the French, who seem particularly lenient in their application of COCOM regulations to computer exports, might be expected to resist a complete ban. In the last resort COCOM must operate on the basis of consent and the end result may be less than complete suspension.
4. If all COCOM countries agreed to apply the regulations more rigorously the Soviet Union might retaliate in some unrelated area. Also if only certain countries applied the regulations rigorously not only might the Soviet Union's ability to obtain high-technology goods be little affected but it might discriminate against the goods of the countries which had applied the regulations rigorously even after the rigour has been relaxed.

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5. The Americans are now seeking our support for a differential in favour of China within COCOM. A differential has long been an objective of British policy in order to facilitate our defence sales to China. It will be important to ensure that British policy on exports of technology to the Soviet Union takes account of the requirements of our policy towards China.

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ANNEX C

EXTENDING THE SCOPE OF COCOM

1. The United States has proposed a significant extension to the scope of the present COCOM list to cover sales to the Soviet Union of items closely allied to those already on the list (eg additional computer equipment and machine tools, new areas of technology (eg oil extraction technology) and to deal effectively with inadvertent transfer of technology through sales which, while being individually unimportant are much more significant when taken together.

2. The extent of these proposals still has to be defined but, as a rough guide perhaps one-third of total United Kingdom exports to the Soviet Union involve some transfer of relatively sophisticated technology. Looked at in terms of sales under the 1975-80 credit agreement, the proportion is even higher - perhaps £300 million out of a total of £500 million. Such sales include some items covered by present COCOM controls but as shown in paragraph 3 above, these are relatively small. Thus it seems likely that United Kingdom trade interests would be considerably affected by extending the controls and, unless other countries observed the same restrictions, the Soviets could readily place the business elsewhere. Germany, France and Japan have potentially even more to lose because their sales of technology-based equipment to the Soviet Union are larger than the United Kingdom's. A further factor which is difficult to quantify would be the effect of a United States decision to impose more stringent conditions on the issue of re-export licences for equipment containing some element of American technology (as is the case with nearly all computer installations and a significant proportion of process plant). Re-export licensing is burdensome for firms; to tighten it would be liable both to create greater uncertainty for them and increase the risk of circumvention.

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GRAIN SALES TO RUSSIA: CHANGES IN THE EEC RESTITUTION SYSTEM

1. Export restitutions are provided in two main ways. The bulk of the Community's exports are made under a system of weekly tenders which are awarded to those traders who bid for least subsidy. In order to take account of market conditions in different areas the tenders are held on a regional basis. This system is designed to enable the Commission to minimise the FEOGA cost of export restitutions and to control the quantities exported. Because subsidy payment is not made until the trader has produced evidence of delivery at the destination specified it could also provide a measure of control, but only post hoc, of destination. In addition to the tenders there is a less attractive standing restitution which normally operates on a general basis though currently restitutions are available only for certain near destination in Western Europe and for East Germany (which for legal reasons has hitherto been excluded from the tender system). All exports require an export licence: but licences are transferable and do not provide information about destinations. The Commission thus relies mainly on trade sources for information about exports to individual countries though the tender system provides information about exports to the various zones.

2. The information available suggests that so far this year the Russians have not bought up significant quantities of EEC grain though, since Russia is at present covered by two of the tender zones (for Baltic and Black Sea ports) they may, to the extent that present licences have not been taken up for other destinations, be able to benefit from tenders already held. The Commission however believe that in practice there is little scope for Russia buying: so far as the standing refund is concerned the Russians could have obtained no subsidised EEC grain because they fall into the class of destinations for which a zero refund is set.

3. In order to prevent Russian purchases of subsidised EEC grain in future and to monitor more effectively the supplies of grain going into Eastern Europe the Commission have proposed -

- a. to take East Germany out of the standing refund which would then exclude all Eastern bloc countries;

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- b. to rearrange the zones for the weekly tenders so that Russia is removed from the tender system and the satellite countries including East Germany are all brigaded into one group including no other countries.
4. The effect of this will be that export restitutions will not be available in future on exports to Russia though of course they will not be prevented from buying Community grain without restitutions at the full Community price (which is at present substantially higher than the world price). A total embargo on sales to Russia could only be achieved by imposing a comprehensive destination control through export licences and enforcing it with stringent penalties eg by requiring payment of substantial caution money: this would represent a major interference with normal trade.
5. The Commission is not proposing at this stage to lay any fresh restraints on trade with the satellites. There is obviously a danger that the Russians may seek to divert such supplies to their own use but this will be resisted by the East European countries who have considerable need of Community grain particularly barley this season following a poor harvest. Moreover no such restrictions have been proposed by the United States and politically it would seem unwise to take action which would unite rather than divide the Eastern bloc.
6. So far as United Kingdom interests are concerned we rely heavily on outlets in Eastern Europe, particularly Poland, for our exports of feed barley, likely this year to amount in total to about 1 million tonnes of which Poland could take a substantial share. Because the French are nearer to the main alternative outlet they have the edge on us in the Mediterranean market and, since we have only a limited intervention capacity, any restriction of Community exports to Eastern Europe would have serious effect on United Kingdom grain prices.
7. Most other Member States have supported or gone along with the Commission proposals except France who took the unusual step of refusing to participate in the Management Committee discussion and voting on them. It is evident that this attitude is governed not only by her interest as the largest Community cereals exporter but also by her general political coolness towards sanctions against the Russians.

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Addendum A to ANNEX D

FINANCIAL CONSEQUENCES OF THE UNILATERAL UNITED STATES ACTION

1. The unilateral United States action on grain exports will have financial consequences for the United Kingdom and other EEC countries quite apart from any costs associated with EEC support for the United States action. But these depend on the effects on world grain prices and cannot be realistically estimated at this stage. World prices could firm slightly if the United States takes effective steps to withdraw from the market quantities of grain equivalent to those being denied to the USSR and if other grain exporters do not fill the gap. But if these conditions are not fulfilled there could be a fall in world prices. This could affect the United Kingdom contribution to the EEC budget in two ways. First by increasing income from import levies on grain, it would increase what the United Kingdom has to hand over to the Community and decrease the need for VAT contributions from other Member States: secondly it would increase the unit cost of the export restitutions needed to dispose of the Community's grain surplus - expenditure from which we benefit less than most other Member States. Both effects would be likely to be adverse for the United Kingdom contribution.

2. On the assumption that there was no change in the volume of Community grain imports and exports and that the prices of all grains were affected to the same extent, a rough estimate suggests that the United Kingdom contribution to the budget would rise by £1.25 million net for every \$1 fall in grain prices.

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Addendum B to ANNEX D

SHIPPING CONSEQUENCES

Restrictions on grain sales would have significant implications for our shipping interests. There is minimal involvement of United Kingdom and United States ships in the Russian grain trade at present but cargoes carried by other countries' ships could have an appreciable effect on the market for charters and consequently on bulk freight rates, which in turn would affect the revenues of our shipping companies.

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EXPORTS OF BUTTER TO THE USSR

1. It is estimated that between 75,000 and 100,000 tonnes of Community butter might be sold to the USSR over the winter of 1979/80. 70-80,000 tonnes would be a more normal figure but Community stocks are higher than usual and the USSR has an increasing deficit as butter consumption rises faster than production. New Zealand also sold exceptional quantities to Russia in 1979 because of this situation. We do not know how many of the winter deals remain to be completed; it would be prudent to assume that the bulk has either been delivered or is contracted for. On the assumption that, while Soviet deficit lasts, Russia could purchase up to 100,000 tonnes a year, any restriction would only affect sales from the second half of 1980 onwards, say, 50,000 tonnes this year.

2. It is reasonable to assume that the Russians would not take up butter which did not receive a large refund, since they would be unwilling to establish the precedent that they were prepared to purchase at full Community prices (although in practice they sell at over Community prices to Russian consumers). Any butter which was prevented from going to Russia is likely to go into intervention in Member States other than the United Kingdom (our butter is too salty for the Russian market and is not therefore at issue).

3. The storage and interest charges for a tonne of butter in intervention for the year amounts to about 357 ECUs, whereas the cost of disposing butter by means of export refunds is 1880 ECUs per tonne. The purchase price of intervention butter is borne by the Member State until the butter is sold. If 50,000 tonnes of butter which would otherwise have gone to the USSR went into intervention the cost to the Community's budget for storage would be 24 MCUAs of which 4 MCUAs would be borne by the United Kingdom. Assuming the USSR imported 100,000 tonnes in a full year the cost on storage alone to the United Kingdom would be £5m.

4. In the short term the budget would gain from the saving (some 100 MUAAs) on refunds on sales to Russia. However this benefit would be lost in subsequent years as the butter had to be disposed of, and the prospect of this old butter going by the cheapest route, ie export, would be significantly reduced with further adverse budgetary effects in subsequent years. The cost to the United Kingdom in those circumstances could be £20m per annum.

5. Moreover the effect of restrictions on sales to the USSR on the cost of the Community's export policy as a whole would depend on the actions of New Zealand, who is virtually the only other major supplier of the world market. Clearly if New Zealand supported the Community policy and avoided increasing her sendings to the USSR, increased pressure on world prices would result. This process would put great pressure on the Commission to increase export refunds, if not immediately then in 1981, at a time when we are campaigning to reduce them by substantial amounts. Every £100 fall in the world price of butter could involve an increase in the United Kingdom contribution via the budget to the cost of refunds of £7m additional to the costs cited in paragraph 4.

6. If on the other hand New Zealand made up the assumed shortfall of 50,000 tonnes to the USSR to the limit of her ability (say 25,000 tonnes) the surplus of butter on world markets would be significantly reduced, and Community traders would find it easier to place exports at existing refund levels.

7. Community exports to Eastern Europe are normally small, under 10,000 tonnes, to Poland and it should be possible to monitor exports to prevent any unusual increase which would indicate Poland importing on behalf of the USSR.

SCOPE FOR SOVIET RETALIATION BY WITHHOLDING RAW MATERIALS

The Soviet Union is a major producer of essential raw materials. They could retaliate against the West by withholding or decreasing supplies of the following -

Metals - The Soviet Union is estimated to produce over 30 per cent of the world's gold and about 45 per cent of the world's platinum group metals (important as industrial catalysts). It is also a significant supplier to Western markets of chromium, manganese and vanadium. By withholding supplies of any of these materials, the Soviet Union would increase Western dependence on South African sources. Other consequences would include a further upward movement in gold prices and, in the longer term, the need to cut back Western consumption of platinum group metals, particularly palladium.

Oil - The Soviet Union is not a major supplier of crude oil to the United Kingdom and supplies only 2 per cent of free world oil demand. Nevertheless, the withdrawal of Soviet supplies could lead to a material increase in world oil prices, assuming that the Soviet Union were willing to forego vital foreign currency earnings by such a move. The Soviet Union is an important source of United Kingdom supplies of semi-processed crude oil products (about 10 per cent of our supplies) and of naphthas (about $7\frac{1}{2}$ per cent of our supplies); in the short term, we should have difficulty locating alternative sources.

Diamonds - The Soviet Union is after South Africa the United Kingdom's largest supplier of diamonds (mainly industrial). The trade is extremely valuable to the United Kingdom in view of the value added in this country before many of the diamonds are re-exported.

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Monetary - If the Soviet Union restricted sales of monetary gold it would
Gold be quite as damaging for itself as to others on account of the
hard currency foregone. There would be little effect in
foreign currency markets on speculative gold prices.

Uranium Enrichment

The electricity generating boards have placed contracts for the enrichment of 1000 tonnes of United Kingdom uranium in the Soviet Union over the next 10 years at a cost of \$100m. The work could be switched to United Kingdom processing facilities, although there would probably be a resulting financial penalty. If the Soviets refused at any time to release uranium in their hands, a relatively small (but nevertheless valuable) quantity would be affected. Additional uranium is being processed for German and Austrian users.

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UNITED KINGDOM-USSR TRADE : GENERAL

1. The Soviet Union ranks about 20th in the league of Britain's export markets accounting for around 1 per cent of our total exports. Trade figures for 1974-78 and January-November 1979 are set out in the Addendum as are figures for the same periods for our trade with the other Eastern Bloc countries.

2. Both imports from and exports to the Soviet Union are concentrated in relatively few sectors. Timber, furs, oil and non-metallic minerals (mainly diamonds) account for over 80 per cent of our imports from the Soviet Union. A significant proportion of the furs and diamonds is re-exported. Plant and equipment account for over 25 per cent of our exports to the Soviet Union.

3. A wide range of companies, large and small, conduct regular business with the Soviet Union including Shell, Courtaulds, ICI, Davy, ICL and Rank Xerox. The market has been and will continue to be important for the process plant and engineering sectors. The largest contract currently under discussion (worth approximately £175m) is for oil rig fabrication yards at Baku and Astrakhan on the Caspian Sea. The United Kingdom bidder is the International Offshore Consortium (BP, Wimpey and Brown and Root). A Russian decision on placing this contract is expected this year. Other major projects under discussion, mainly for plant, are worth about £300m.

4. The Soviet economy is at present in the doldrums and, the Afghanistan situation apart, it is unlikely that there would be a significant expansion of trade with Western countries. However, the United Kingdom could expect continuation of the current level of exports. Also energy is expected to be given high priority in the next Five Year Plan (1981-85). The United Kingdom's experience in the North Sea and elsewhere puts her in a good position to bid for energy projects, particularly in the offshore oil and gas sectors.

5. The United Kingdom's main competitors in the Soviet market (all with higher shares of the market) are the USA, West Germany, Japan, France, Italy and Finland. There are very few areas in which the United Kingdom has a clear competitive advantage so that any unilateral action by Britain

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to withdraw from business in the Soviet Union would result in opportunities being quickly taken up by our competitors with little or no loss to the Russians.

6. As the second page of the table shows, which also deals with visible trade, Eastern Europe other than the USSR and Yugoslavia is a rather more significant market for United Kingdom exports than the Soviet Union, but our imports from the Soviet Union exceed those from the rest of Eastern Europe. The proportions of Soviet and other Eastern Europe exports and imports in United Kingdom manufactured trade follow a very similar pattern to trade in total. Imports of manufactures from the Soviet Union are dominated by precious stones.

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Addendum to Annex G

UNITED KINGDOM - SOVIET TRADE

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>Jan-Nov*</u> <u>1979</u>	£ million
EXPORTS:							
Manufactures	99	196	227	326	373	N/A	
Non-manufactures	10	12	11	18	47	N/A	
Total	110	210	240	347	423	381	
IMPORTS:							
Manufactures	231	229	278	319	275	N/A	
Non-manufactures	164	179	389	461	413	N/A	
Total	395	408	667	781	688	752	
BALANCE							
Manufactures	- 132	- 33	- 51	+ 7	+ 98	N/A	
Non-manufactures	- 154	- 167	- 378	- 443	- 366	N/A	
Total	- 285	- 198	- 427	- 434	- 265	- 371	

*provisional

UNITED KINGDOM/EAST EUROPE TRADE (EXCLUDING USSR AND YUGOSLAVIA)

UK Imports	283	282	376	464	499	529
UK Exports	319	374	416	488	553	499
Balance	36	92	40	24	54	- 30

[After the Soviet Union Poland is the United Kingdom's only other substantial market in Eastern Europe]

EEC TRADE WITH THE SOVIET UNION

	<u>£ million in 1978</u>		
	<u>Imports</u>	<u>Exports</u>	<u>Balance</u>
EEC total			
(excluding UK)	3512	3314	-198
France	636	757	+121
West Germany	1403	1636	+233
Italy	868	590	-278

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PROPORTIONS OF TOTAL UNITED KINGDOM VISIBLE TRADE WITH THE
USSR AND EASTERN EUROPE (EXCLUDING USSR AND YUGOSLAVIA)

	<u>Per cent</u>					
	1974	1975	1976	1977	1978	1979 (Jan-Nov)
USSR						
Exports	0.7	1.0	0.9	1.1	1.1	1.0
Imports	1.7	1.7	2.1	2.1	1.7	1.7
Eastern Europe (Less USSR and Yugoslavia)						
Exports	1.9	1.9	1.6	1.5	1.5	1.3
Imports	1.2	1.2	1.2	1.3	1.2	1.2

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AGRICULTURAL TRADE: SCOPE FOR SOVIET RETALIATION BY WITHHOLDING EXPORTS

GENERAL

1. Details of trade in agricultural and food products between the USSR and EEC and with the United Kingdom are given in tables A and B of the Addendum.
2. Trade between the USSR and the EEC is substantially in the Community's favour. Dairy products, cereals and sugar products accounted for some 50 per cent by value of EEC exports. For these products the possibility of action to restrict exports is being examined. Meat and meat products were the largest element of the balance in 1977 due to an exceptional quantity of poultry meat exports.
3. Table B gives the corresponding figures for United Kingdom/USSR trade in both 1977 and 1978. The substantial United Kingdom surplus in 1978 is attributable to exceptional shipments of unmilled barley and to fish exports, mainly mackerel trans-shipped from United Kingdom fishing vessels. This surplus compares with a more customary deficit in 1977, when United Kingdom imports and exports were, respectively, some 24 per cent and 1.8 per cent of total EEC trade with the USSR.
4. Imports from the USSR are not significant as a proportion of total United Kingdom and EEC supplies. The effect of any Soviet retaliation on exports in this sector would therefore be very limited. Comments on the more significant commodities follow.

Meat and Meat Products

5. Minimal quantities of Beef and Pigmeat and more significant amounts of poultry meat are imported into the Community from the USSR. Any shortfall could be made up from a variety of alternative sources without any problem, and there is no likelihood of any effect on prices.

Fruit and Vegetables

6. The United Kingdom does not import any significant amount of fruit and vegetables from the USSR, and would have no difficulty in finding alternative supplies. Information on imports by other Community members from the USSR is not readily available, but it seems most unlikely that withdrawal of Soviet supplies would have any serious impact, since there are many alternative sources.

Sugar, Sugar Products and Honey

7. The quantities involved are negligible in relation to total supplies. The Community as a whole has a substantial surplus over consumption. Small quantities of honey are imported for blending and could be replaced without great difficulty.

Coffee, Tea, Cocoa and Spices

8. Imports into the United Kingdom are entirely of low grade tea. The 8,075 mts imported in 1977 were only 3 per cent of total imports. Withdrawal of Soviet supplies would have a minimal effect on the market. The United Kingdom accounted for some 75 per cent (by value) of total EEC imports of these commodities from the USSR in 1977. The Netherlands was the only other substantial importer, taking 6 per cent (by quantity) of its supplies from the USSR in 1977.

Beverages

9. Vodka imports are not particularly significant to the United Kingdom (9,476 proof gallons in Jan-Oct 1979, valued at £45,112) and domestic and other supplies could make up the shortfall both in the United Kingdom and the rest of the Community. Certain flavourings for gin and liqueurs are imported from the Soviet Union: information on alternative supplies is not readily available. There could be some risk that the Soviet Union would retaliate with barriers against Scotch whisky, although their imports (£541,000 worth in 1977) have in any case been small.

Fish and fish products

10. These are the largest item in Soviet food exports to the Community. In 1977 they accounted for 60 per cent by value of the total and 47 per cent in the case of the United Kingdom. France was the largest importer of Soviet fish products, taking some 38 per cent of the total. The United Kingdom's share was 19 per cent, the products involved being canned salmon, prawns and cod. However, Soviet supplies have represented only a tiny fraction of total United Kingdom (and EEC) imports around 2 per cent in 1978. Curtailment of this trade would therefore have negligible effect on our importers, except possibly for those committed to Soviet supplies of canned salmon.

Fishing rights

11. EEC Member States have no fishing rights in Soviet waters and the only possible countermeasures Russia could take would be harassment of United Kingdom vessels fishing, by agreement with Norway, in the 'grey zone' which is the subject of a formal dispute between Norway and the USSR. There would also be scope for the USSR and its Baltic satellites to withhold co-operation in the Baltic Fisheries Commission (of Baltic States). Further afield, the USSR could obstruct, or even withdraw from the International Whaling Commission. Any such public moves, however, would cause the USSR itself some embarrassment. (The USSR has no fishing access to United Kingdom or other EEC Member State waters and the scope for measures against Russia is limited to facilities such as transshipment.)

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TABLE A

Addendum to Annex H

EEC/USSR AGRICULTURAL TRADE IN 1977

(£000s)

	<u>EEC IMPORTS</u>	<u>EEC EXPORTS</u>
Meat and Meat Products	2,738	42,630
Dairy Products and Eggs	-	26,524
Fish and Fish Products	28,726	101
Cereals and Cereal Products	16	11,739
Fruit and Vegetables	3,545	6,512
Sugar, Sugar Prpducts and Honey	801	43,022
Coffee, Tea, Cocoa, Spices	6,901	13,578
Miscellaneous Food Products	-	2,574
Beverages	6,101	6,887
TOTAL	48,828	153,569

TABLE B

UK/USSR AGRICULTURAL TRADE IN 1977-78

(£000s)

	<u>IMPORTS</u>		<u>EXPORTS</u>	
	<u>1977</u>	<u>1978</u>	<u>1977</u>	<u>1978</u>
Live Animals (Chiefly for food)	9	5	58	264
Meat and Meat Preparations	-	-	18	3
Dairy Products and Eggs	-	-	1	0
Fish and Fish Preparations	5,491	3,842	59	4,438
Cereals and Cereal Preparations	8	-	5	15,398
Vegetables and Fruit	860	319	6	65
Sugar, Sugar Preparations, Honey	116	115	1	42
Coffee, Tea, Cocoa, Spices	5,192	1,214	160	1,139
Animal Feedingstuffs (except unmilled cereals)	-	20	-	49
Miscellaneous Food Products	-	-	1,866	3,944
Beverages	58	49	548	600
Total Agricultural Trade	11,733	5,565	2,721	25,944
Total Trade	780,572	688,170	347,432	423,085
% Agricultural Trade	1.5%	0.8%	0.8%	6.1%

BANK CREDITS

1. As can be seen from the following table, United Kingdom banks have a significant net creditor position vis a vis the USSR, and there are further potential claims of varying degrees of formality in the form of as yet unused credit lines. Thus, if the United Kingdom took action against the USSR in the financial field, USSR retaliation could result in substantial direct losses for United Kingdom banks. The possible damage to London's role as a financial centre would also need to be considered.
2. The possibility that the USSR might take extreme action, such as repudiation of debts, would presumably be increased by the fact that, deprived of the possibility of at least some imports of capital goods and grain, the USSR would have less need of credit in the future; moreover, the current gold price and rising prices for Russian oil exports (as long as these can continue) are further factors reducing the USSR's need for Western credit, and hence reducing the potential cost of repudiation.
3. In the case of Eastern Europe, the considerations are somewhat different. Net claims of United Kingdom banks are very much greater than those towards the Soviet Union. The Eastern Europeans, who have been notably reticent about the whole Afghan adventure, are far less self-sufficient than the USSR and are hence in greater need of Western credit - assuming that they could still get it in the changed atmosphere prevailing, after Afghanistan.
4. Action directed solely against the USSR would have implications for the other East Europeans. First, as some United Kingdom banks lend under the "umbrella" theory, countries such as Bulgaria who are particular beneficiaries would suffer if Western bankers assumed that the USSR would no longer tacitly guarantee debt to the West.
5. Even if it were felt that the risks of retaliation were not too great, it is not entirely obvious what course of action in the credit field would most hurt the USSR at the present time, particularly if it is hoped to avoid hurting the other East Europeans. If the USSR cannot buy the grain it had expected, then it will save foreign currency not only for the grain, but also for shipment etc. It might, therefore, be able to reduce gold and oil sales still further, thus further improving its terms of trade by putting up their respective prices.

Liabilities and Claims of United Kingdom banks vis a vis Eastern blocMid-November 1979 (in £ millions)

(a) Foreign Currencies

	<u>USSR</u>				<u>Eastern Europe</u> ⁽¹⁾			
	<u>Liabilities</u>	<u>Claims</u>	<u>Net</u>	Unused ⁽²⁾ <u>Credit Facilities</u>	<u>Liabilities</u>	<u>Claims</u>	<u>Net</u>	Unused ⁽²⁾ <u>Credit Facilities</u>
UK banks	1,402	1,240	- 162	476	2,022	6,023	+ 4,001	1,246
British banks	261	304	+ 43	306	385	1,487	+ 1,102	1,089

(b) All Currencies

UK banks	1,436	1,508	+ 72	759	2,106	6,771	+ 4,665	1,866
British banks	287	562	+ 275	490	438	2,225	+ 1,787	1,089

(1) Bulgaria, Czechoslovakia, GDR, Hungary, Poland,
Romania, USSR

(2) end-June 1979

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[Experimental]

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IRAN: ADVANCE COPIES

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PS
 PS/SIR I GILMOUR
 PS/MR HURD
 PS/PUS
 SIR D MAITLAND
 MR J C MOBERLY
 LORD BRIDGES
 MR EVANS
 MISS BROWN
 HD/MED (2)
 HD/FRD
 HD/NENAD
 HD/UID (2)
 HD/OID (2)
 HD/DEF DEPT
 HD/N AM D
 HD/ES & SD (2)
 HD/PUSD (2)
 HD/NEWS DEPT
 HD/COD
 HD/COMS DEPT
 RESIDENT CLERK

Lord R G Hancock

PS NO 10 DOWNING ST

SIR R ARMSTRONG)
 ASSESSMENTS STAFF)
 MR R WADE GERY) CABINET
 MR LE CHEMINANT) OFFICE
 MR P G FOWLER R 217)
 DIO)

PS/CHANCELLOR)
 MR F R BARRATT) TREASURY
 MR D J S HANCOCK)
 MR C W MCMAHON) BANK OF
 MR S PAYTON) ENGLAND
Re R Williams CRES DC
 MR W KNIGHTON DEPT OF TRADE
 MR C BENJAMIN DOI
 MR D LE B JONES) DEPT OF
 MR C LUCAS) ENERGY

[Handwritten signature]

CONFIDENTIAL

FM TEHRAN 150400Z JAN
 TO PRIORITY WASHINGTON
 TELEGRAM NUMBER 003 OF 14 JANUARY 80
 INFO PRIORITY TO FCO.

FOLLOWING IS TEXT OF MESSAGE GIVEN BY LAINGEN TO SWISS
 AMBASSADOR TO-DAY FOR TRANSMISSION TO IRAN WORKING PARTY.

BEGINS :

1. PARAGRAPHS THAT FOLLOW WERE WRITTEN WELL BEFORE LAST
NIGHT'S UNSC SESSION AND SOVIET VETO. WE SEND THEM ALONG
 IN ANY EVENT, BECAUSE BASIC ISSUES REMAIN ESSENTIALLY UNCHANGED.
 WE ASSUME WE PLAN TO MOVE PROMPTLY WITH UNILATERAL SANCTIONS,
 WITH BROADEST POSSIBLE ALLIED SUPPORT. THIS IS IMPORTANT
 PSYCHOLOGICALLY AS WELL AS TACTICALLY AS FOLLOW-UP TO
 EXCELLENT MCHENRY STATEMENT IN UNSC AFTER LAST NIGHT'S VOTE.
 HOWEVER INADEQUATE QOTBZADEH'S LETTER MAY HAVE BEEN, WE SEE IT
 AS INDICATION THAT ECONOMIC AND POLITICAL PRESSURES, BOTH FROM
 WITHIN AND WITHOUT THE COUNTRY, ARE BEGINNING SERIOUSLY TO BE
 FELT AND THAT MUCH OF DIFFUSE POWER ELEMENTS HERE NOW APPRECIATE

FELT AND THAT MUCH OF DIFFUSE POWER ELEMENTS HERE NOW APPRECIATE THAT TIME IS NOT ON IRAN'S SIDE.

2. WE WELCOME INDICATION IN YOUR MESSAGE 60 THAT WE ARE HOLDING FIRM TO POSITION THAT WHILE RELEASE OF HOSTAGES IS NOT NEGOTIABLE, A VARIETY OF APPROACHES TO OTHER ISSUES WOULD BE POSSIBLE AFTER REPEAT AFTER THEIR RELEASE. AN UNDERSTANDING TO THAT EFFECT, INDEED A FAIRLY SPECIFIC UNDERSTANDING REGARDING OUR WILLINGNESS NOT TO OPPOSE THE CONVENING OF SOME SORT OF PANEL OF INQUIRY UNDER UN AUSPICES THAT WOULD LOOK INTO IRANIAN GRIEVANCES, COULD FORM A CENTRAL ELEMENT IN THE "PACKAGE" WALDHEIM IS TALKING ABOUT.

3. WE ASSUME OTHER ELEMENTS IN SUCH A PACKAGE WOULD INCLUDE A REAFFIRMATION OF WHAT WE HAVE ALREADY SAID ABOUT THE US COURT SYSTEM BEING OPEN TO IRAN ON THE QUESTION OF THE SHAH'S ASSETS AND AN EXPRESSED READINESS, (NEXT TWO WORDS UNDERLINED) IN PRINCIPLE, TO AGREE TO A LIFTING OF THE FREEZE ON IRANIAN ASSETS. THE LATTER, HOWEVER, COULD ONLY BE IMPLEMENTED IN THE CONTEXT OF SUBSEQUENT BILATERAL TALKS, IN WHICH WE WOULD NEED CATEGORIC ASSURANCES, (NEXT TWO WORDS UNDERLINED) INTER ALIA, OF COMPENSATION FOR DAMAGE TO US PROPERTIES IN IRAN AND A COMMITMENT TO MEET CONTRACTUAL OBLIGATIONS TO US COMPANIES WITH INTERESTS IN IRAN.

4. WE CONTINUE TO SHARE WALDHEIM'S JUDGMENT THAT SUBSTANTIAL ELEMENTS OF THE REVOLUTIONARY COUNCIL, PLUS OTHERS IN IRAN WHO HAVE THE RESPONSIBILITY OF RUNNING THIS PLACE, ARE NOW LOOKING FOR FACE SAVING WAYS TO RESOLVE THIS CRISIS. WE ALSO SHARE HIS CONCERN, HOWEVER, OVER THE FACT OF DIVIDED CENTERS OF POWER IN IRAN AND THE FACT THAT THE ULTIMATE ARBITER, KHOMEINI, HAS YET TO BE CONVINCED THAT SOME SETTLEMENT SHORT OF THE SHAH'S RETURN MUST BE FOUND. WE HAVE NO ILLUSIONS ABOUT THE DIFFICULTY OF THAT TASK, WHICH ALSO ENCOMPASSES KHOMEINI'S CAPACITY TO COPE WITH THE STUDENT MILITANTS.

5. ANY CHANGE IN KHOMEINI'S STANCE WILL HAVE TO COME VIA THE ELEMENTS OF THE REVOLUTIONARY COUNCIL WHO HAVE ACCESS TO AND SOME INFLUENCE WITH HIM. IN THIS CONNECTION, AND DESPITE THE STRONG TALK COMING FROM QOTBZADEH AND OTHERS THAT ADDED PRESSURES FROM THE US, INCLUDING ECONOMIC SANCTIONS, WOULD BE COUNTERPRODUCTIVE TO OUR INTERESTS HERE, WE CONTINUE TO BELIEVE THE OPPOSITE TO BE THE CASE. IT SEEMS TO US THAT IT IS EXACTLY SUCH PRESSURES (COMBINED WITH THOSE GROWING OUT OF THE VAST ARRAY ON INTERNAL PROBLEMS NOW AGAIN SURFACING IN IRAN) THAT WILL

SUCH PRESSURES (COMBINED WITH THOSE GROWING OUT OF THE VAST ARRAY ON INTERNAL PROBLEMS NOW AGAIN SURFACING IN IRAN) THAT WILL HAVE THE DESIRED EFFECT OF CAUSING THE GROUP OF RELATIVE PRAGMATISTS IN THE COUNCIL AND ELSEWHERE WHO HAVE TO ADMINISTER THE COUNTRY TO BE OPEN TO THE PACKAGE APPROACH THAT WALDHEIM MAY HAVE IN MIND AND THAT THEY COULD USE WITH KHOMEINI TO BRING HIM AROUND.

6. IN THIS CONNECTION, VOA JANUARY 9 CARRIED A REPORT QUOTING WHITE HOUSE SPOKESMAN AS CHARACTERIZING MILITANTS AT COMPOUND AS MARXIST REVOLUTIONARIES WHOSE REAL INTEREST IS IN CREATING CHAOS IN COUNTRY. TEHRAN TIMES JANUARY 10 FEATURED SAME STORY. SUCH STATEMENTS DO NOT SERVE OUR TACTICAL INTERESTS HERE.

7. LET US CONCEDE JA FIRST INSTANCE THAT WE KNOW DAMNED LITTLE ABOUT THE SO-CALLED STUDENTS. HOWEVER, WHAT EVIDENCE IS AVAILABLE LEAVES LITTLE DOUBT ABOUT THE ISLAMIC CREDENTIALS OF MOST OF THEM OR THEIR BASIC FIDELITY TO KHOMEINI. THAT THEIR RHETORIC OF REVOLUTIONARY ISLAMIC SOCIALISM OFTEN BEARS A SUPERFICIAL MARXIST IMPRINT IS ESSENTIALLY MOOT IN THE CURRENT IRANIAN POLITICAL CONTEXT. THE LOCAL REALITY IS THAT SUCH RHETORIC ESTABLISHES THEM AS PART OF, NOT APART FROM, THE REVOLUTIONARY ISLAMIC MASSES.

8. WE ASSUME THAT THE THRUST OF OUR STRATEGY IN DEALING WITH THE HOSTAGE CRISIS IS TO CONVINCING THOSE IRANIANS WHO MAY BE AMENABLE TO A PRAGMATIC ASSESSMENT OF THE LONGER TERM CONSEQUENCES OF THE STUDENTS' HOLDING OF THE HOSTAGES THAT THIS ACTION IS DETRIMENTAL TO IRAN'S INTERESTS. TO PUBLICLY ACCUSE THE STUDENTS OF BEING TERRORISTS AND MARXISTS DOES NOT FURTHER THAT OBJECTIVE. MOREOVER, FOR THE USG TO ASSERT THAT THEY ARE NOT WORKING IN IRAN'S LONGER TERM INTERESTS ONLY TENDS TO CONFIRM THE POPULAR IMPRESSION HERE THAT THEY ARE FIGHTING AGAINST US INTERESTS IN IRAN, THUS ENHANCING THEIR IMAGE AMONG THE MASSES, THE CONSERVATIVE CLERGY, AND EVEN MEMBERS OF THE REVOLUTIONARY COUNCIL. THOS PRAGMATISTS AMONG THE LATTER GROUP AND ELSEWHERE WHO ARE LOOKING FOR A WAY OUT OF THIS CRISIS WILL NOW FIND IT MORE DIFFICULT THAN EVER TO STAND UP TO THE MILITANT STUDENTS. 9.

9. WE DEFINITELY SHOULD PURSUE ACTIONS THAT WILL HELP MAKE IT CLEAR TO RATIONAL IRANIANS THAT THE MILITANTS ARE CREATING REAL PROBLEMS FOR IRAN'S FUTURE. BUT IT DOES NOT FOLLOW THAT WE SHOULD DESCRIBE TO THEM THE NATURE OF THESE PROBLEMS. GIVEN THE ATMOSPHERE OF DISTRUST HERE, THE LATTER IS ALMOST BOUND TO PROVE COUNTERPRODUCTIVE.

TO PROVE COUNTERPRODUCTIVE.

10. HERE ARE A FEW OTHER POINTS WE HAVE NOT BEEN ABLE TO PASS.

TO YOU BY PHONE. AVAILABILITY OF LATTER IS VERY UNCERTAIN, REFLECTING PRESSURES FROM STUDENT MILITANTS CONVEYED TO MFA, WITH OUR TIME ON PHONE STRICTLY CIRCUMSCRIBED BY SUPPORTERS EITHER HERE OR IN CENTRAL TELEPHONE OFFICE OR BOTH. IT IS HIGHLY IMPORTANT THAT WASHINGTON SPOKESMEN AVOID ANY PUBLIC MENTION OF OUR ACCESS TO PHONE.

11. AMBASSADORIAL VISITS ARE EQUALLY CIRCUMSCRIBED AND SENSITIVE

LAST VISIT WAS ON SEVENTH FROM SWISS AND DUTCH TOGETHER.

SINCE DECEMBER 12 WE HAVE ONLY HAD THIS VISIT PLUS VISITS ON DECEMBER 25 AND 26 AND ONE (AUSTRALIAN) ON DECEMBER 31.

12. MIKE HOWLAND HAS SENT TO JIM BIRMINGHAM IN SY A DRAFT

CHRONOLOGY OF THE EVENTS OF THE DAYS IMMEDIATELY PRECEDING NOVEMBER 4 AND A DETAILED SEQUENCE OF DEVELOPMENTS DURING THE TAKEOVER THAT DAY, AS WE REMEMBER THEM FROM THIS VANTAGE POINT. I WANT TO EMPHASIZE, AS MIKE DID IN FORWARDING IT, THAT IT SHOULD NOT BE GIVEN CIRCULATION OUTSIDE SY AND INDEED SHOULD NOT BE GIVEN ANY FORMAL STATUS UNTIL ALL OF OUR STAFF CONCERNED HAVE HAD A CHANCE TO REVIEW IT AND AS THEIR SPECIFIC RECALL TO IT. WE CANNOT OURSELVES BE CERTAIN OF THE TIMINGS INVOLVED AND CERTAINLY NOT OF ALL THE EVENTS THAT OCCURRED INSIDE AND OUTSIDE THE CHANCERY THAT DAY. THAT APPLIES PARTICULARLY TO THE DESTRUCTION PROCESS, WHERE FOR WHATEVER REASONS THE RESULTS WERE GROSSLY INEDAQUATE.

13. WE HAVE SENT YOU SEPARATELY A CABLE ON EMPLOYEE PAY WHICH

RECOMMENDS WE DO NOTHING FOR THE PRESENT, THAT IS ALSO SHOUKOUIAN'S VIEW. I AM NOT HAPPY WITH THAT POSITION, BOTH BECAUSE IT WORKS HARDSHIP ON OUR EMPLOYEES AND BECAUSE IT PUTS OFF THE INEVITABLE - WHICH IS THAT THE VAST MAJORITY, IF NOT ALL, OF OUR EMPLOYEES WILL NEED TO BE TERMINATED, GIVEN ANY REALISTIC ASSESSMENT OF OUR FUTURE HERE. BUT ANY INTERIM SALARY DISBURSEMENT PROCESS NOW WOULD, WE ASSUME, REQUIRE THE PRESENCE OF YESAI (FOR FNS'S) AND SULEIMANI (FOR CONTRACT EMPLOYEES) FOR IDENTIFICATION PURPOSES PLUS SUPERVISION OF THE PROCESS BY EITHER (A) ONE OF US, WHICH THE MINISTRY OR THE STUDENTS OR BOTH WOULD PROBABLY DISAPPROVE OR (B) ANOTHER EMBASSY, SUCH AS THE SWISS, WHICH WOULD WEAKEN ANY ACCOUNTABILITY PROCESS AND INVOLVE A HEAVY ADMINISTRATIVE RESPONSIBILITY ON THE EMBASSY INVOLVED.

INVOLVED.

14. ANY ACTION VIS A VIS THE LONGER TERM, IE TERMINATIONS, WOULD BE EVEN MORE DIFFICULT IN ADMINISTRATIVE TERMS AND WOULD ALSO SEND A LOCAL SIGNAL WHICH WE MIGHT NOT WISH TO MAKE AT THIS TIME. I DO THINK, HOWEVER, THAT WE SHOULD BEGIN PLANNING NOW FOR THE EARLIEST POSSIBLE TERMINATION OF VIRTUALLY ALL THE CONTRACT EMPLOYEES EXCEPT THOSE NEEDED TO KEEP THE COMPOUND IN CARETAKER STATUS AND FOR A REDUCTION BY AS MUCH AS 75 PER CENT OF FSN EMPLOYEES.

15. HAVING SAID ALL THAT, HOWEVER, I MUST SAY THAT THE DEPARTMENT IS IN A BETTER POSITION THAN WE TO DETERMINE WHAT IS FEASIBLE IN AN ADMINISTRATIVE SENSE (EG WHETHER OUR RIAL ACCOUNTS ARE ADEQUATE, HOW TO HANDLE CONTRACT EMPLOYEE PAYMENTS, WHAT PRESENCE WE MUST INSIST ON FOR ACCOUNTABILITY PURPOSES, ETC) AND WHAT IS ADVISABLE IN BROADER POLITICAL TERMS. BY THE LATTER WE MEAN THE DEPARTMENT'S JUDGMENT ON THE DURATION OF THIS CRISIS AND THE KIND OF SIGNALS WE MAY OR MAY NOT GIVE BY OUR ACTION ON THIS ISSUE. REGARDING THE ADMINISTRATIVE PROCEDURES THAT MIGHT BE ACCEPTABLE, BOTH SINGLES AND LEACH ARE AVAILABLE TO DEPARTMENT AND KNOW TEHRAN DISBURSING PROCEDURES MUCH BETTER THAN ANY OF US.

ADDENDUM. WE TRUST DEPARTMENT INTENDS TO TAKE ADVANTAGE OF ISLAMIC CONFERENCE SESSION IN ISLAMABAD JANUARY 28 AS MEANS BRING PUBLIC PRESSURE TO BEAR ON IRANIANS FROM THAT QUARTER.
LAINGEN.

ENDS.

GRAHAM

NNNN

SECRET



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10 DOWNING STREET

From the Private Secretary

14 January 1980

POSSIBLE WESTERN ECONOMIC MEASURES
AGAINST IRAN

The Prime Minister has seen the Lord Privy Seal's minute to her of 11 January on this subject. The Prime Minister agrees that the Lord Privy Seal should be guided in discussions today and tomorrow by the paper enclosed with the Lord Privy Seal's minute.

I am sending copies of this letter to the Private Secretaries to the other members of the Cabinet and to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

Michael Richardson, Esq.,
Office of the Lord Privy Seal.

SECRET

cc



10 DOWNING STREET

From the Private Secretary

14 January 1980

Dear Robin,

CALL BY MR. WARREN CHRISTOPHER

As you know, Mr. Warren Christopher called on the Prime Minister this morning. He was accompanied by the US Ambassador, Mr. Kingman Brewster. Mr. Hurd was also present.

Afghanistan

At the beginning of the meeting, Ambassador Brewster handed over the enclosed message from President Carter to the Prime Minister. Commenting on the letter, Mr. Christopher said that the United States Government needed the help of the British Government on both the punitive and the affirmative aspects of its policy on the Afghan crisis. In regard to the punitive measures, President Carter had taken a number of decisions which were, in domestic political terms, very risky. Mr. Christopher mentioned the grain embargo, the action on the export of high technology and the action on fisheries agreements. The United States hoped that its Allies would produce parallel action. He would be exploring steps that might be taken in London and thereafter in Rome, Brussels and in other capitals. On the affirmative side; Mr. Christopher said that he had just had a good meeting with a Pakistani delegation headed by Agha Shahi. The United States Government would be offering the Pakistan Government \$400 million of new aid. There would be \$200 million worth of economic aid and \$200 million worth of foreign military credits. Half of the aid would be included in the 1980 budget (a supplementary appropriation would be necessary) and half in the 1981 budget.

The Prime Minister said that her views on the Soviet action in Afghanistan were well known. She had been warning for a long time that the Soviet Government were capable of behaving in this way. The Western Allies would now have to work out what could be done. She asked about the United States Government's attitude towards a boycott of the Olympics. She thought that this would have the biggest impact on the people of the Soviet Union. Mr. Christopher commented that there was a ground swell of opinion in the United States in favour of moving the Olympics.

/This was

Iran P7 ← 7

cc Master Lett

Sport Jan 1980: 1980 Olympics

cc last para

Subject on Afghanistan P72
Situation Soviet Military Intervention.

This was, of course, an issue where governments had to be responsive to public opinion. The Prime Minister agreed and said that the difficulty was that many sportsmen wanted to participate in the Games. It would be much easier to get opinion moving if there was an alternative venue. In any case, an early decision was needed. The British Government had made its views clear on the British Lions tour of South Africa and it would be difficult for it not to take a position on the Olympic Games.

Iran

Mr. Christopher said that President Carter regarded it as important that the objectives of the UN Sanctions Resolution should not be frustrated by the Soviet veto. The United States Government's view was that the Russians had been committed by the 31 December Resolution to permitting the passage of the Sanctions Resolution. A way to impose the sanctions which had been envisaged must now be found. Mr. Christopher said that he was more than ever convinced that sanctions would have an effect in Tehran. The Prime Minister recalled her letter of 10 January to President Carter. There were some things that the British Government could do and some things that they could not do because primary legislation would be required. In reply to a question from Mr. Christopher, the Prime Minister said that it would be out of the question for the Government to seek new legislation at the moment. When Mr. Christopher asked whether it was not open to the Government to take some measures because of Iran's non-compliance with the 31 December Resolution, the Prime Minister said that she would have this looked into. The more that the Allies could do together, the better. When Mr. Christopher asked whether he could tell President Carter that the Prime Minister had said she would do all she could, the Prime Minister cautioned him against trying to read more into her words than was there. There was no point in her making promises until the matter had been looked at in detail. None the less, he could certainly tell the President that what could be done would be done. Mr. Christopher expressed his gratitude and commented on the psychological importance to President Carter of the Prime Minister's support.

I am sending copies of this letter, and its enclosure to John Wiggins (HM Treasury), Brian Norbury (Ministry of Defence), Stuart Hampson (Department of Trade), Bill Burroughs (Department of Energy) and to Martin Vile (Cabinet Office).

Yours ever

Nicholas Alexander

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.

SECRET

Dear Margaret:

As I know you will agree, the Soviet Union's invasion and occupation of Afghanistan are matters of the gravest concern. In my view, the Soviet action represents one of the most serious security challenges which our countries have faced in the post-war era. This naked aggression has implications in Southwest Asia and the Middle East, as well as globally, in the bilateral relationship between each of our countries and the Soviet Union, and in the multilateral relationships which have developed among the countries of the West and the Warsaw Pact involving European matters in the past decade. A failure on our part to respond adequately to the Soviet challenge in Afghanistan can only encourage Moscow to move in the future even more aggressively. Pakistan, Iran, the Gulf, Yugoslavia and even Turkey come immediately to mind. By the same token, a strong united Western response can correct Soviet perceptions, restrain Soviet behavior and ultimately advance the cause of detente to which both our countries are dedicated over the longer term. I know that you share my view that in these circumstances, it is imperative that you and I and our representatives in Washington and London maintain close and continuous consultations and coordination.

You are already familiar with the measures which I announced on January 4 involving our bilateral relations with the Soviet Union, and I appreciate your support for these actions. I had previously announced my decision that the SALT II Treaty not be called up for Senate action in light of the Soviet invasion and occupation of Afghanistan. I did not withdraw the Treaty because I believe its ratification would be in the interest of the West, and I hope that circumstances will, in time, make it possible for me to request that the Senate proceed with action on the Treaty. Further, I believe that it is important to continue our efforts in MBFR to reach agreement with the East which will lower military forces and tensions in Europe and to pursue vigorously our TNF arms control proposal. In my judgment we should also continue to participate in the CSCE process which if carefully managed promotes Western interests.

SECRET

However, I feel strongly that we would be making a grave error should we, in the interest of preserving an atmosphere of detente, attempt to separate developments in Southwest Asia involving the Soviet Union from the bilateral or multilateral relations which we have with the USSR. The process of detente can continue only if we, collectively and individually, make clear to the Soviet Union that actions such as its invasion and occupation of Afghanistan must have serious consequences for the Soviet Union in other areas of the world, including Europe.

The Soviet Union's invasion of Afghanistan is simply not consistent with detente in Europe, and this must be made clear to the Soviet leadership. If Moscow does wish to pursue detente, then in the wake of Afghanistan it must give us evidence of such a desire. The most convincing confirmation of Moscow's desire to retrace its steps back to policies consistent with the principles of detente would be an early and total withdrawal of Soviet troops from Afghanistan. To this point, I regret to say that we have seen no evidence that that is Moscow's intention and the continually growing USSR deployment in Afghanistan appears to us to suggest that the Soviet Army went to that small and defenseless country to stay. And in the light of other Soviet activities in the region--especially in Ethiopia and the Yemens--we would have to regard a prolonged Soviet occupation of Afghanistan as part of a calculated strategic thrust against the West's vital interests.

We have already noted a predictable tendency in the Soviet Union's propaganda to try to divide the United States and Western Europe over the matter of Afghanistan. Indeed, I think we can expect the Soviets to launch a "peace offensive" in Europe in the near future. Moscow will undoubtedly hope that by offering various inducements to West European countries they can secure a "business-as-usual" approach by these countries, a tacit agreement to let concern about the Soviet occupation of Afghanistan fade away. I know that you will be particularly sensitive to this Soviet objective and will work with me and our colleagues from the other Western European countries to ensure that this Soviet aim is not realized.

Finally, I want to assure you that I am prepared to commit the United States to take the necessary steps to enhance security in Southwest Asia and the Middle East,

not just because of U.S. interests, but because of the broad stakes the West in general has in this region's stability and the flow of oil. In this effort, it will be important for the United States to have the support-- and some cases the direct involvement of our European allies. The challenge to our common and crucial interests in this area is unprecedented; it calls for an unprecedented and coordinated Western response. This includes support for Pakistan, intensified political involvement with specific nations stretching from South-west Asia to the Eastern Mediterranean, increased security involvement and military presence, increased economic assistance, as appropriate, and arms support to friendly nations. The United Kingdom's role in this effort will be particularly important and I look forward to learning of Peter Carrington's impressions after his visit to the region.

I want to thank you for your support in these trying times. I will be anxious to have your views in the coming period on the posture that we should adopt to convince this Soviet leadership and the following one that they cannot undertake naked aggression such as in Afghanistan without the most serious penalties for them.

Sincerely,

/s/ Jimmy Carter

COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

fs.
You asked for a note on the Ayatollah - Prime Minister
14 January 1980

Dear Michael, *RS* *12/15/1*
Iran : Ayatollah Khomeini

You asked for information on Khomeini's background and character. I attach HM Embassy's confidential personality report on the Ayatollah and an extract from Sir John Graham's annual review.

I am sorry that, through a mishap, this material did not reach you on Friday as intended

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

COVERING CONFIDENTIAL

M6



Extract from HM Ambassador Tehran's
Annual Report (31 Dec. 1979).

7. My second deep impression is of the preeminent and pervading influence of Imam Khomeini, living out, in Qom, his vision of the patriarchal religious leader, the Moses who has led his people out of their 50-year wanderings in the Pahlavi desert. He it is who must take credit or blame for most that has happened here during this last year, above all for the departure of the Shah into exile on the 16th of January, but also for the failure to back Bazargan so that the latter could restore order and set the country and the economy going again; for the intransigent rejection of national minority rights which finally drove the Kurds into revolt in the summer, and may yet divide the country; for the drive to establish a system of government in which,

whatever the democratic facade, the final authority rests with the spiritual leader or leaders of the country; for the continuing pandering to the mob, which swept him to power and from which he continues to draw massive support; for the revolutionary trials and executions which have so shocked the world; and finally for the deep international crisis of the US Embassy hostages. This event, I believe, was instigated by a campaign against the US designed by Khomeini as a distraction from the domestic problems of Iran and as a cause to re-unite the country. It has been kept alive both by his deep hostility to the former Shah and the US and by his incomprehension of the forces he is provoking. Generally regarded as a less able theologian than his peers, particularly the Ayatollah Shariat Madari, Khomeini is a man of enormous strength of character, with a dark mediaeval vision of a world torn between the forces of God, personified in Islam, and the devil, which includes for him the materialist civilisations of both West and East Europe. Within this vision, he stresses the division between the oppressed and the oppressors, the poor and the rich, both nationally and internationally, so that his political philosophy, in so far as it goes beyond the Koran, is a socialism, but not a simple egalitarianism, based on religion and a belief in the nobility and equality before God of man,



made in God's image. The state is a necessary evil, until the return of the hidden Twelfth Imam, but since the Koran and the Prophet's sayings and customs provide a comprehensive and binding legal system, the state, and any participation in government by the people, must be within that framework and controlled by the religious leaders. He is not a politician by the ordinary definition of that word. He does not recognise the utility of compromise. He does however possess a strong tactical sense and knows when to retreat in order to gain his ends. This tenacity of purpose has been his strength; and his success he takes as proof of God's blessing. His troubles could start when he meets equally determined opposition or a problem the dimensions of which are not catered for in his philosophy.

The Kurdish question and the US Embassy crisis could be examples of the former, the economy of the latter.

KHOMEINI, AYATOLLAH ROUHALLAH MUSAVI

Leader of the Islamic Revolution.

Aged 77.

There are few details about Khomeini's early life and many of these, and those of his later activities, are difficult to establish as the mythology surrounding him grows. He was born in 1902. In Khomein in central Iran into a non-clerical lower middle class family. There is an Indian connection, in that his grand-father is said to have come to Iran from Kashmir in the mid-nineteenth century. Having studied divinity as a boy in Arak, during the 1920s and 30s, Khomeini studied in Qom and Isfahan and later in Iraq at Najf and Kerbala. Thereafter he taught Islamic law and theological doctrine in Qom. In 1962 he began publicly to oppose the policies of the Shah. There are opposing views on the reasons for his opposition. He was represented by the regime and by the press as objecting to the two major aspects of the "White Revolution" launched by the Shah; the land reform programme and the granting of women's suffrage. Khomeini's own statements concentrated their attack on autocratic rule, violation of the constitution, the proposed grant of capitulatory rights to Americans in Iran, the maintenance of relations with Israel, the contracting of a large loan for military purchases and the general creation of a state hostile to Islam - a set of political principles remarkably similar to those he propounded during 1978. Khomeini was eventually arrested and detained for some months, and although released for a short period he was again detained on the eve of the Shah's referendum in January 1963, which he had called on people to boycott. Shortly after his release, the Felzieh Theological School in Qom at which he taught was attacked in March by troops. Khomeini resumed his denunciation of the government. This led in early June (which fell within the mourning month of Moharram, a period of heightened religious excitement) to incidents in Qom, Khomeini's re-arrest, and subsequently serious clashes between demonstrators and the security forces in Qom, Tehran and other cities. (The significance and seriousness of these riots and the loss of life involved have now been re-written and exaggerated in the new regime's "official" accounts of the struggle against the Shah.) Khomeini was released in August on the promise of refraining from political activity, but on the eve of the October elections for a new Parliament he preached a boycott and was again arrested. Thereafter he was detained without trial until April 1964. After some months of relative inactivity he resumed his campaign against the Shah and preached against a bill then before the Majlis to confer diplomatic immunities upon American military advisers. Finally, Khomeini was re-arrested in the autumn and removed to Turkey where he continued his campaign against the Shah. In 1965 the Turks asked the Iranian government to remove Khomeini and he was then sent to Najaf in Iraq where he remained until October 1978. During his period of exile in Najaf Khomeini continued to preach his fundamentalist Islamic political philosophy to a small band of students. His stature in Iran at this time is difficult to assess: people did not dare (even until 1978) to mention his name and it is likely that by many he was forgotten.

The political philosophy of his lectures was collected into a book called Velayat-e-Faqih ("The Governance of the Theologian"). Khomeini's beliefs are based on three precepts: that religion and society are inextricably bound together; that the Koran and the Prophet's sayings provide a complete guide to the proper ordering of every aspect of life; and that the only way to guarantee a just and truly Islamic society is to place responsibility for government in the hands of

the most expert in these precepts, the Theologian, (Faqih). He also believes that the West, particularly America and Israel, have been intent on destroying Islam and its values.

This political philosophy was not, however, the public basis of Khomeini's opposition to the regime during 1978. Khomeini's fame rested not on his degree of learning – in which Ayatollah Shariat-Madari (qv) is generally acknowledged his superior – but on his forthright and uncompromising hostility to the Shah's regime. Demonstrations took place in Qom in January and Tabriz in February 1978 following the publication by the authorities in a Tehran newspaper of an article derogatory to Khomeini himself. The casualties in these demonstrations provoked an increasing crescendo of commemorating demonstrations throughout the year in which the mosque played the major organisational role, fed by a constant stream of bitter and uncompromising denunciations of the regime from Khomeini, who demanded that the Shah step down. (His implacable opposition to the Shah may have been heightened in part by a vendetta deriving from the alleged murder of his son, Mustafa, in 1977). Khomeini's departure to Paris in October 1978 gave him easy and direct access to the world media; this greatly increased his ability to get the people out on the streets, a pressure on the regime reaching its crescendo in the enormous marches of Tasua and Ashura in December, and the overall level of strikes and popular disobedience of martial law during the month of Moharram. The Shah left Iran on 16 January. Khomeini returned on 1 February 1979, and immediately named a provisional government under Mehdi Bazargan (qv), despite the existence of a legal government under Shapour Bakhtiar (qv) which had been appointed by the Shah and confirmed in office by the two houses of parliament. Bakhtiar's government was swept aside during the Revolution of 10–12 February and on 1 March Khomeini moved his court to Qom. Despite his commitment to leave the government to Bazargan, in practice, Khomeini constantly interfered with government policy or executive decisions, either directly through the many speeches he gave to innumerable groups of Iranians who came to pay homage to him in Qom or indirectly through the Revolutionary Council. The new Constitution ~~was to be~~ approved in December 1979, ^{has} ~~will~~ give him very ^(discretionary) wide powers. Khomeini's pronouncements have imposed progressively puritanical restrictions on Iranian society. He has been particularly harsh on all those, including western-educated intellectuals, who claim to offer views or recommendations which do not follow slavishly his own line.

Despite the strains of the activities of last year Khomeini's health and strength appear to be still good. Of his extensive family three members play important roles. His surviving son, Ahmad, has remained in his close circle at Qom and has made a number of conciliatory political statements which his father probably endorses. A grandson, Hussein, (the son of Mustafa killed in 1977) also seems to carry influence. A son-in-law Shahab Eshraqi (qv) is presently Khomeini's personal representative in the oil industry.

14 JAN 1980



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TO PRIORITY FCO

TELNO 227 OF 14 JANUARY 80

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MIPT

1. DEPARTMENT OF DEFENCE CONTACTS HAVE TOLD US THAT WILSON'S ARTICLE IS BASICALLY WELL INFORMED EVEN IF IT GREATLY OVERSTATES THE EXTENT TO WHICH THERE WAS PARTICULARLY FRANTIC ACTIVITY OVER THE WEEKEND. CONTINGENCY PLANS FOR BOTH MINING AND BLOCKADING HAVE BEEN IN EXISTENCE SINCE EARLY DECEMBER AND THE US NAVAL TASK FORCE IN THE AREA IS EQUIPPED TO LAY THE NECESSARY MINES (FOR WHICH, INCIDENTALLY, THERE IS NO REQUIREMENT FOR HELICOPTERS SINCE FIXED WING A6 AND A7 AIRCRAFT CAN DO THE JOB).

2. THERE MAY WELL BE MORE LEAKS ABOUT MILITARY CONTINGENCY PLANNING ALONG THESE LINES. IF THERE ARE, IT PROBABLY WILL NOT BE DUE TO ANY COORDINATED INTERDEPARTMENTAL PLAN. THE STATE DEPARTMENT CONTINUES TO TAKE THE LINE THAT MINES/BLOCKADES ARE

PLANNING ALONG THESE LINES. IF THERE ARE, IT PROBABLY WILL NOT BE DUE TO ANY COORDINATED INTERDEPARTMENTAL PLAN. THE STATE DEPARTMENT CONTINUES TO TAKE THE LINE THAT MINES/BLOCKADES ARE AMONG THE ARROWS REMAINING IN THE US QUIVER; BUT THAT THIS DOES NOT MEAN THAT ANY PARTICULAR ACTION IS IMMINENT. BUT, SINCE THE PUBLIC ARE LIKELY NOW TO HAVE FORMED THE IMPRESSION THAT THE DIPLOMATIC/UN ROUTE HAS BEEN CLOSED BY THE SOVIET VETO, EARLIER PUBLIC REFERENCES BY SENIOR AMERICANS FROM PRESIDENT CARTER DOWNWARDS TO THE AVAILABILITY OF "OTHER MEASURES" MAY START BEING GIVEN MORE CONCRETE FORM IN PRESS BRIEFINGS.

3. MY NAVAL ATTACHE IS WRITING SEPARATELY TO THE MOD ABOUT THE DETAILS OF THE US NAVY'S MINING INTENTIONS.

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FM TEHRAN 141400Z JAN

TO IMMEDIATE FCO DESKBY 141530Z

TELEGRAM NUMBER 51 OF 14 JAN 80

INFO IMMEDIATE WASHINGTON, UKMIS NEW YORK, AND ISLAMABAD
(FOR PRIVATE SECRETARY).

WASHINGTON TEL NO 200 TO YOU : US / IRAN.

1. THERE IS A NON-SEQUITUR IN SICK'S REASONING AS DESCRIBED IN PARA 3. IF IT IS THE CASE, AND I AGREE THAT IT IS, THAT KHOMEINI WOULD "SEND HIS OWN SIGNAL IF AND WHEN HE DECIDED THAT HE NO LONGER STOOD TO BENEFIT FROM THE PRESENT SITUATION", AND THAT THE BEST CHANCE OF HIS REACHING THIS CONCLUSION LIES IN THE INCREASINGLY SERIOUS INTERNAL POLITICAL DIFFICULTIES HE FACES (PARA 3(III) AND (IV) , THERE IS LITTLE POINT IN THE POLICY OF GRADUALLY INCREASING THE PRESSURE (PARA 3(I)), ESPECIALLY BY MEASURES WHICH WILL TEND TO DRIVE KHOMEINI TO EVEN MORE XEROPHOBIC PUBLIC PRONOUNCEMENTS, UNITE IRANIANS BEHIND HIM) AND DISTRACT THEM FROM THE INTERNAL DIFFICULTIES.

2. THE AMERICAN POLICY MIGHT BE MORE CREDIBLE IF THEY WERE APPLYING IT CONSCIENTIOUSLY THEMSELVES. THE FRG AMBASSADOR REPORTS THAT TWO CONTRACTS HAVE JUST BEEN LET TO SUBSIDIARIES OF IIT AND CATERPILLAR RESPECTIVELY, BOTH REGISTERED IN THE

OF ITT AND CATERPILLAR RESPECTIVELY, BOTH REGISTERED IN THE PERSIAN GULF STATES, AGAINST WEST GERMAN COMPETITION. (AN IRANIAN STATEMENT ABOUT AMERICAN MULTI-NATIONALS CIRCUMVENTING US RULES WOULD SEEM TO CORROBORATE THIS). THERE ARE STRONG RUMOURS THAT AMERICAN CONSUMER GOODS ARE FLOODING IN TO THE UAE TO BE SMUGGLED INTO SOUTHERN IRAN. LOCAL BUSINESS CONTACTS CONFIRM THAT AMERICAN FIRMS ARE READY AND EAGER TO DO BUSINESS. NOR DOES THE DECISION TO CONTINUE EXPORTS OF ANIMAL FEEDSTUFFS ON ALLEGED HUMANITARIAN GROUNDS MAKE SENSE. THIS IS A FIELD IN WHICH IRAN IS NOTABLY SHORT AND THE US IS A MAJOR IF NOT THE SOLE SUPPLIER; AND THE HUMANITARIAN ARGUMENT HAS NOT PREVENTED A BAN AGAINST THE SOVIET UNION.

3. EVEN WITHOUT THE NON-SEQUITUR, SICK'S ARGUMENT AND US POLICY FALLS BECAUSE THE AMERICANS SEEM TO BE DEALING WITH THE IRANIANS AS IF THEY WERE RUSSIANS, WITH A GRADUATED AND SOPHIS-

TICATED SERIES OF SIGNALS, WHICH GO OVER IRANIAN HEADS. (SICK'S REFERENCE TO A GAME OF CHICKEN FAILS TO UNDERSTAND IRANIAN PSYCHOLOGY: THEY ARE QUITE READY TO BE MARTYRS). LIKE IT OR NOT, THE AMERICANS ARE INVOLVED IN A BAZAAR HAGGLE AND SOME WAY HAS TO BE FOUND TO ALLOW THE IRANIANS TO COME OUT OF IT WITH SOMETHING THAT CAN BE PRESENTED AS A VICTORY. THE ONLY ALTERNATIVE IS A REAL WAR (EG AN ULTIMATUM LINKED TO A BOMBING PROGRAMME, FIRST THE REFINERIES, THEN THE DOCKS, RAILWAYS AND SO ON); EVEN THAT MIGHT NOT CAUSE KHOMEINI TO CLIMB DOWN THOUGH IT MIGHT PRODUCE HIS OVERTURN. IT IS OBVIOUSLY WORTH AVOIDING THAT IF AT ALL POSSIBLE. TO DO SO THE NEED, AS SEEN FROM HERE, WAS TO TAKE UP THE ADMITTEDLY UNSATISFACTORY AND IMPRECISE IDEAS PUT FORWARD BY QOTBZADEH, TRANSPOSE THEM INTO AN ACCEPTABLE FORM AND RETURN THEM SO THAT THE ONUS WAS PLACED ON THE IRANIANS EITHER TO DELIVER OR TO REJECT. I DOUBT THAT QOTBZADEH EVER EXPECTED INSTANT AGREEMENT TO HIS LETTERS, WHICH HE MAY WELL HAVE SEEN AS THE FIRST MOVE (OR "SIGNAL", IF YOU WILL) TOWARDS AT LEAST ESTABLISHING A DIALOGUE BETWEEN IRAN AND THE US. AN OPPORTUNITY TO GET THIS DIALOGUE UNDER WAY PRESENTED ITSELF IN THE SECURITY COUNCIL, AS IT IS HE WILL SEE THE US REACTION AS A REBUFF AND STOP TRYING. WOULD IT NOT HAVE BEEN POSSIBLE TO HAVE PICKED UP HIS LETTER TO WALDHEIM AND TO HAVE TURNED IT SUITABLY AMENDED INTO A DIRECTIVE FROM THE SECURITY COUNCIL TO THE UN COMMISSION ON HUMAN RIGHTS, AS IN SIR A PARSON'S IDEA (UKMIS NEW YORK TEL NO 81 TO YOU), SUBJECT TO THE PRIOR RELEASE OF THE HOSTAGES? IS IT STILL TOO LATE FOR THE US TO RETURN TO SOMETHING LIKE THIS, AFTER THE FAILURE OF THE SANCTIONS RESOLUTION? 4 FEBRUARY MAY SEEM A LONG WAY OFF, BUT IT NOW SEEMS UNLIKELY

4 FEBRUARY MAY SEEM A LONG WAY OFF, BUT IT NOW SEEMS UNLIKELY THAT ANY SUCH DRAMATIC MOVE AS THE RELEASE OF THE HOSTAGES COULD BE TAKEN HERE BEFORE THE PRESIDENTIAL ELECTION, THE SECOND ROUND OF WHICH MAY NOW NOT EVEN TAKE PLACE UNTIL 8 FEBRUARY, SO THE TIMING OF THE UN COMMISSION ON HUMAN RIGHTS IS NOT UNREALISTIC. TO WAIT UNTIL FEBRUARY TO LAUNCH IT IS TO LEAVE IT TOO LATE.

4. SICK'S VIEWS IN PARA 3(II) OF TUR ARE ALTOGETHER OVERSTATED. BEHESHTI IS AN IMPRESSIVE PERSONALITY BY ANY STANDARD. GOTBZADEH, THOUGH NOT MY FAVOURITE MAN, IS NO FOOL. IT IS A MISTAKE TO DESPISE YOUR ENEMY.

5. SCR 461 REQUIRED THE COUNCIL TO ADOPT EFFECTIVE MEASURES, NOT INDIVIDUAL MEMBERS.

GRAHAM

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 MR C LUCAS) ENERGY

Lord R G Hamox

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FM TEHRAN 140645Z JAN
 TO IMMEDIATE FCO DESKBY 140903Z
 TELEGRAM NUMBER 46 OF 14 JAN 80

Rec'd late

INFO IMMEDIATE CABINER OFFICE (DIO) MODUK (D14 AND DS11),
 CRES, WASHINGTON, UKMIS NEW YORK, BAHRAIN
 INFO PRIORITY ABU DHABI, ANKARA, BAGHDAD, DOHA, DUBAI,
 ISLAMABAD, JEDDA, KABUL, KUWAIT, MOSCOW, TOKYO, MUSCAT,
 NEW DELHI AND EEC POSTS.

MY TELNO 36 : PSSITUATION IN IRAN.

1. AFTER WIDESPREAD VIOLENCE IN TABRIZ ON 11 AND 12 JANUARY
 THE CITY NOW SEEMS TO BE UNDER CONTROL OF KHOMEINI'S
 SUPPORTERS AND THE REVOLUTIONARY GUARDIANS WHO CAPTURED THE
 MPRP HEADQUARTERS ON 12 JANUARY. RIOTING WHICH FOLLOWED THE
 EXECUTION OF 11 MEMBERS OF THE MPRP CAPTURED IN THE BUILDING
 APPEARS NOT TO HAVE BEEN ON A LARGE SCALE AND TO HAVE DIED
 DOWN. SHOPS AND THE BAZAAR ARE REPORTED TO BE OPEN. THE
 GOVERNOR GENERAL OF EAST AZERBAIGAN HAS BANNED THE ENTRY OF
 FOREIGN JOURNALISTS INTO TABRIZ FOR THE "SHAMELESS AND IMPUDENT"
 REPORTING ON THE SITUATION. (NIRT YESTERDAY ANN-
 OUNCED THEY WOULD NOT SEND "BIASED" TV AND RADIO REPORTS
 PRODUCED BY FOREIGN JOURNALISTS ON THE NIRT COMMUNICATIONS
 SYSTEM). JOURNALISTS WHO WERE IN THE CITY BEFORE THE BAN

COUNCED THEY WOULD NOT SEND "BIASED" TV AND RADIO REPORTS PRODUCED BY FOREIGN JOURNALISTS ON THE NIRT COMMUNICATIONS SYSTEM). JOURNALISTS WHO WERE IN THE CITY BEFORE THE BAN SAID THAT SHARIAT MADANI'S SUPPORT WAS DRAWN MAINLY FROM OLDER PEOPLE AND FROM THE INHABITANTS OF VILLAGES AND SMALL TOWNS AROUND TABRIZ. THE UNIVERSITY SEEMED TO BE FAIRLY SOLIDLY PRO-KHOMEINI. THE "STUDENTS" IN THE US EMBASSY HAVE BLAMED IMPERIALISM AND SIONISM, AND ESPECIALLY THE US, FOR THE TROUBLES THROUGHOUT IRAN.

2. ^{its} FAR AS I CAN JUDGE THE TROUBLE IN TABRIZ LAST WEEK WAS OF CONSIDERABLE INTENSITY. THE AUTHORITIES REACTED WITH TRADITIONAL SEVERITY (THE PASDARAN ARE REPUTED TO HAVE OPENED FIRE DOWN THE STREETS IN THE STYLE OF THE SHAH'S TROOPS A YEAR AGO) AND ALTHOUGH NO CURFEW WAS PROCLAIMED ONE WAS EFFECTIVELY IMPOSED. THE EXECUTIONS MIGHT HAVE BEEN EXPECTED TO HAVE PROVOKED A REAL CIVIL WAR BUT IT SEEMS THAT THE AUTHORITIES HAVE JUDGED THE SITUATION CORRECTLY, PRESUMABLY BECAUSE THE AZERBAIJANIS ARE NOT APPARENTLY UNITED BEHIND SHARIAT MADANI, WHO IN ANY CASE HAS GIVEN NO LEAD, AND AS IN KHUZESTAN LOOK LIKE BRINGING THE SITUATION UNDER CONTROL.

3. THE GOVERNMENT GOODWILL DELEGATION TO KURDISTAN HAS BEEN REINFORCED BY THE ADDITION OF HOJITOLESAM ESHRAGHI, KHOMEINI'S SON-IN-LAW WHOSE REPORT ON THE OIL INDUSTRY WAS USED TO ENGINEER THE DOWNFALL OF NAZIH, AS THE IMAM'S SPECIAL ENVOY. THE APPOINTMENT IS SEEN AS AN ATTEMPT TO MEET REPEATED DEMANDS FROM THE KURDISH RELIGIOUS LEADER, HOSSEINI, THAT KHOMEINI SHOULD BE PERSONALLY INVOLVED. THE DELEGATION ARRIVED IN OROUMIEH LAST NIGHT AND WERE RECEIVED BY HOSSEINI AND OTHER CLERGYMEN. SANANDAJ SIT-IN (MY TUR) CONTINUES, WITH MORE THAN 5,000 PEOPLE, INCLUDING THE GOVERNOR-GENERAL, REPORTED TO BE ON A HUNGER STRIKE UNTIL THEIR DEMAND FOR THE WITHDRAWAL OF THE REVOLUTIONARY GUARDS IS MET.

4. THE INTERIOR MINISTRY HAS REDUCED THE NUMBER OF CANDIDATES FOR THE PRESIDENTIAL ELECTIONS (SEE TUR) FROM 106 TO 16, AFTER CRITICISMS FROM KHOEINI, THE "STUDENTS", AND KHOMEINI HIMSELF. ALL TOOK THE LINE THAT MANY OF THE CANDIDATES WERE ONLY STANDING TO BRING RIDICULE ON IRAN (INSTIGATED BY AN AMERICAN PLOT), AND SOME OF THE CANDIDATES HAVE BEEN DENOUNCED AS SAVAKIS AND LUNATICS. SUPPORT IS INCREASING FOR THE IRANIAN REPUBLICAN PARTY CANDIDATE, FARSI, AND THOUGH BANI SADR AND MADANI CONTINUE TO CAMPAIGN ENERGETICALLY, LEADING CLERGYMEN SUCH AS KHAMENE' AND REFSANJANI HAVE MADE OBLIQUE BUT STRONGLY CRITICISMS OF THEM. KHAMENE' SAID YESTERDAY TO A MEETING

MADANI CONTINUE TO CAMPAIGN ENERGETICALLY, LEADING CLERGYMEN SUCH AS KHAMENE' , AND REFSANJANI HAVE MADE OBLIQUE BUT STRONGLY VERDICT CRITICISMS OF THEM, KHAMENE'I SAID YESTERDAY TO A MEETING IN MASHAD THAT IF FARSI WAS NOT ELECTED THE PERMANENCY OF THE ISLAMIC REVOLUTION COULD NOT BE GUARANTEED, THE KURDS HAVE EXPRESSED THEIR SUPPORT FOR THE MOJAHEDDIN CANDIDATE, RAJARI (SEE TUR), BECAUSE OF HIS STAND ON MINORITY RIGHTS (AND ALSO, PRESUMABLY, BECAUSE HE DOES NOT ACCEPT VELAYATE'-FAQIH (RULE BY THE THEOLOGIAN). RAFSANJANI SUPERVISOR OF THE MINISTRY OF THE INTERIOR HAS SAID THAT IF A SECOND ROUND OF THE PRESIDENTIAL ELECTION IS NECESSARY (BECAUSE NO ONE OBTAINS AN ABSOLUTE MAJORITY IN THE FIRST) IT WOULD PROBABLY BE HELD ON 8 FEB WITH A CONSEQUENTIAL POSTPONEMENT OF THE ELECTIONS FOR THE MAJLIS TO THE NEXT PERSIAN MONTH.

5. THE LOCAL NEWS TODAY CARRIED A LETTER FROM AYATOLLAH MONTAZERI TO KHOMEINI, ASKING THAT HE SHOULD BE REPLACED AS IMAM JOMEH OF TEHRAN BECAUSE HE PREFERED TO WORK AT A THEOLOGICAL COLLEGE.
6. THE REVOLUTIONARY GUARDS CLAIM TO HAVE ARRESTED ON 11 JAN. THE LEADERS AND 15 MEMBERS OF THE TERRORIST GROUP FORGHAN, BUT WARNED THAT AT LEAST 20 OTHER MEMBERS OF THE GROUP WERE STILL AT LARGE. A SECOND PETROL BOMB (SEE TUR) WAS THROWN OVER THIS EMBASSY'S WALL ON 11 JANUARY, BUT PASSERS-BY CAPTURED THE MAN WHO HAD THROWN IT AND HANDED HIM OVER TO THE POLICE. HE IS SAID TO BE DISGRUNTLED BECAUSE OF REFUSAL OF LEAVE TO ENTER THE UK.
7. THE SOVIET EMBASSY HAS SENT HOME TWO PLANE LOADS OF STAJI'JA AND DEPENDENTS ON CHARTERED AIRCRAFT. A HUNGARIAN DIPLOMAT TOLD A MEMBER OF MY STAFF THAT 200 "TECHNICIANS" HAD ARRIVED AFTER THE FIRST ATTACK ON THE EMBASSY ON 1ST JAN. REVOLUTIONARY GUARDS ARE STILL STATIONED INSIDE ITS GROUNDS.
8. "ISLAMIC REPUBLIC" ANNOUNCED YESTERDAY THAT 103 EMPLOYEES OF MINISTRIES AND COMPANIES AFFILIATED TO NIOC HAD BEEN SUSPENDED FOR COLLABORATION WITH THE SHAH'S REGIME.
9. EXECUTIONS CONTINUE UP AND DOWN THE COUNTRY. FOUR SOLDIERS WERE SHOT ON 12 JANUARY ALEGEDLY FOR THEIR PART IN THE BLACK FRIDAY SHOOTINGS (8 SEPT 1978), BUT OTHER VICTIMS INCLUDE THE USUAL TALLY OF PROSTITUTES, SODOMISTS, DRUG PEDDLERS ETC (USUALLY ALL AT ONCE). IN ONE PARTICULARLY GHASTLY CASE A WOMAN AT ARDEBIL WAS FOUND TO HAVE SURVIVED HER EXECUTION AND WAS SHOT AGAIN BY THE BASTARD WHO WERE DELIVERING ANOTHER "VICTIM"

THE USUAL TALLY OF PROSTITUTES, SODOMISTS, DRUG PEDDLERS ETC
(USUALLY ALL AT ONCE). IN ONE PARTICULARLY GHASTLY CASE A WOMAN
AT ARDEBIL WAS FOUND TO HAVE SURVIVED HER EXECUTION AND WAS
SHOT AGAIN BY THE PASDARAN WHO WERE DELIVERING ANOTHER "VICTIM"
TO THE MORGUE. THERE IS A RUMOUR THAT SOME OF THE EXECUTIONS
OF THE MILITARY RELATE IN FACT TO AN ATTEMPTED COUP D'ETAT A
WEEK OR TWO AGO, AND NOT, AS CLAIMED, TO THE RIOTS OF 1978

GRAHAM

BT

CCNPARA 1 THIRD LINE REVOLUTIONARY GUARD ETC

PARA 2 . AS FAR AS I CAN JUDGE ETC ETC

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SRI THESE ERRORS ARE SPRUNG ON ME

REF THE LAST WORD IN THE FIRST LINE OF PARA 7
I WILL TRY TO CHECK BUT STN NOT WITH US AT THE MO

IMMEDIATE

Iran

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 PS/SIR I GILMOUR
 PS/MR HURD
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 SIR D MAITLAND
 MR J C MOBERLY
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 MR EVANS
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 MR LE CHEMINANT) OFFICE
 MR P G FOWLER R 217)
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 MR F R BARRATT) TREASURY
 MR D J S HANCOCK)
 MR C W MCMAHON) BANK OF
 MR S PAYTON) ENGLAND
Re R Williams CRES DC
 MR W KNIGHTON DEPT OF TRADE
 MR C BENJAMIN DOI
 MR D LE B JONES) DEPT OF
 MR C LUCAS) ENERGY

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 TO IMMEDIATE FCO
 TELEGRAM NUMBER 106 OF 13 JANUARY
 INFO IMMEDIATE TEHRAN WASHINGTON PARIS

MY 2 IPT'S: SECURITY COUNCIL: IRAN

1. FOLLOWING IS TEXT OF MY STATEMENT:

THE POSITION OF MY GOVERNMENT AS REGARDS THE DETENTION OF THE AMERICAN DIPLOMATIC HOSTAGES IN TEHRAN IS ABSOLUTELY CLEAR. STATEMENTS IN THE LAST TWO MONTHS BY MY PRIME MINISTER, OTHER BRITISH MINISTERS AND MYSELF IN THIS COUNCIL ON 1 AND 29 DECEMBER CAN LEAVE NO DOUBT ABOUT OUR CONVICTION OF THE ILLEGALITY OF THE IRANIAN AUTHORITIES' ACTIONS IN THE TERMS OF INTERNATIONAL LAW AND LONG HALLOWED PRACTICE BETWEEN STATES.

AT THE SAME TIME, NO ONE CAN BE IN ANY DOUBT OF THE SYMPATHY OF THE BRITISH GOVERNMENT AND PEOPLE FOR THE AMERICAN

AT THE SAME TIME, NO ONE CAN BE IN ANY DOUBT OF THE SYMPATHY OF THE BRITISH GOVERNMENT AND PEOPLE FOR THE AMERICAN HOSTAGES, FOR THE AMERICAN PEOPLE, AND FOR THE U.S. GOVERNMENT WHICH HAS EXERCISED SUCH ADMIRABLE PATIENCE AND RESTRAINT IN THIS UNIQUE AND TRULY TERRIBLE SITUATION.

BUT, SADLY, SUCCESSIVE APPEALS AND RESOLUTIONS FROM THIS COUNCIL HAVE BEEN IGNORED. THE CONCLUSION IN THE SECRETARY-GENERAL'S MOST RECENT WRITTEN REPORT PLAINLY INDICATES THAT THE IRANIAN LEADERS ARE NOT PREPARED TO RESPOND TO THE CALL OF THE INTERNATIONAL COMMUNITY FOR THE IMMEDIATE RELEASE OF THE HOSTAGES. WHAT HAS SINCE EMERGED, AS STATED THIS EVENING BY THE SECRETARY-GENERAL, MAKES IT EQUALLY PLAIN THAT WE HAVE REACHED THE END OF THE ROAD WHICH WE HAVE BEEN TRAVELLING OVER THE PAST TWO OR THREE WEEKS WITHOUT EVEN BRINGING OUR DESTINATION INTO VIEW. IN THESE CIRCUMSTANCES, MR PRESIDENT, THIS BODY HAS NO ALTERNATIVE BUT TO FOLLOW UP THE DECISION IT TOOK ON 31 DECEMBER AND RESORT TO THE FURTHER MEASURES AVAILABLE TO IT UNDER THE CHARTER. FOR THIS REASON MY DELEGATION WILL VOTE IN FAVOUR OF THE DRAFT RESOLUTION BEFORE US.

MR PRESIDENT, I TAKE NO PLEASURE IN CASTING THIS VOTE AND IT IS MY SINCERE HOPE THAT WISER COUNSELS WILL QUICKLY PREVAIL WITHIN IRAN. AS I HAVE SAID BEFORE, BRITAIN ENTERTAINS NO ANIMOSITY TOWARD THE PEOPLE OF IRAN. ON THE CONTRARY THE SOONER THE ACTION WHICH HAS CAUSED THE IMPOSITION OF THESE MEASURES IS REVERSED, THE SOONER WE AND THE REST OF THE INTERNATIONAL COMMUNITY CAN RESUME THE NORMAL RELATIONS WITH THE IRANIAN GOVERNMENT AND PEOPLE WHICH WE ALL SO EARNESTLY DESIRE.

PARSONS

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IRAN: ADVANCE COPIES 43

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SIR D MAITLAND
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MR C W MCMAHON) BANK OF
MR S PAYTON) ENGLAND
Mr R Williams CRES DC
MR W KNIGHTON DEPT OF TRADE
MR C BENJAMIN DOI

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MR C LUCAS) ENERGY

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TO IMMEDIATE FCO

TELEGRAM NUMBER 105 OF 13 JANUARY

INFO IMMEDIATE TEHRAN WASHINGTON PARIS ISLAMABAD (FOR S OF S'S PARTY).

MIPT: SECURITY COUNCIL: IRAN.

THE END OF THIS LONG DRAWN OUT EXERCISE CAME AS NO SURPRISE. THE SOVIET VETO WAS EXPECTED, ALTHOUGH, AS A RESULT OF HEAVY ARM-TWISTING IN CAPITALS, THE AMERICANS GOT RATHER MORE POSITIVE VOTES THAN HAD SEEMED LIKELY AT THE OUTSET. THE RELUCTANCE WITH WHICH NEARLY ALL THE NON-ALIGNED CAST THEIR VOTES IN FAVOUR WAS OBVIOUS: THE CLUMSY AND INSENSITIVE HANDLING BY THE AMERICANS OF THE INTERMINABLE PRELIMINARIES, PARTICULARLY THEIR FLAT REFUSAL TO ALLOW WALDHEIM MORE TIME TO DEVELOP HIS IRANIAN CONTACTS,

THE END OF THIS LONG DRAWN OUT EXERCISE CAME AS NO SURPRISE. THE SOVIET VETO WAS EXPECTED, ALTHOUGH, AS A RESULT OF HEAVY ARM-TWISTING IN CAPITALS, THE AMERICANS GOT RATHER MORE POSITIVE VOTES THAN HAD SEEMED LIKELY AT THE OUTSET. THE RELUCTANCE WITH WHICH NEARLY ALL THE NON-ALIGNED CAST THEIR VOTES IN FAVOUR WAS OBVIOUS: THE CLUMSY AND INSENSITIVE HANDLING BY THE AMERICANS OF THE INTERMINABLE PRELIMINARIES, PARTICULARLY THEIR FLAT REFUSAL TO ALLOW WALDHEIM MORE TIME TO DEVELOP HIS IRANIAN CONTACTS, HOWEVER INSUBSTANTIAL, MUST HAVE NEARLY LOST THEM A FEW COMMITMENTS. NO ONE IN THE COUNCIL, AS WELL AS THE SECRETARY-GENERAL AND HIS STAFF, IS UNDER ANY ILLUSION THAT THE AMERICAN ACTION WILL HELP THE HOSTAGES.

2. WE SHALL PROBABLY FIND OURSELVES WITH A FEW RODS IN PICKLE. THE AFRICANS AND COMMUNISTS HAVE CLEARLY DRAWN THE PARALLEL BETWEEN WESTERN SUPPORT OF SANCTIONS AGAINST IRAN AND WESTERN REFUSAL TO ACCEPT SANCTIONS AGAINST SOUTH AFRICA AND ISRAEL. EQUALLY THE NON-ALIGNED, PARTICULARLY ZAMBIA, HAVE VERY SORE ARMS AND ARE UNLIKELY TO WELCOME REPRESENTATIONS FROM THE AMERICANS AND OURSELVES ON OTHER DIFFICULT SUBJECTS.

3. IT WAS CLEAR FROM MCHENRY'S FINAL STATEMENT (OF WHICH NEITHER WE NOR ANY OTHER WESTERN MEMBER HAD ANY WARNING), ABOUT THE OBLIGATIONS OF MEMBERS STATES TO APPLY SANCTIONS IN ACCORDANCE WITH RESOLUTION 461, THAT THE AMERICANS ARE NOW EXPECTING PROMPT UNILATERAL ACTION BY THEIR FRIENDS.

PARSONS

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IRAN: ADVANCE COPIES 43

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MR C LUCAS) ENERGY

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TO IMMEDIATE FCO

TELEGRAM NUMBER 104 OF 13 JANUARY

INFO IMMEDIATE TEHRAN WASHINGTON PARIS ISLAMABAD (FOR S OF S'S PARTY).

MY TELNO 101: SECURITY: COUNCIL: IRAN

1. AT A FORMAL MEETING OF THE SECURITY COUNCIL LATE THIS EVENING, THE U.S. SECOND STAGE SANCTIONS RESOLUTION WAS VETOED BY THE SOVIET UNION, HAVING RECEIVED TEN VOTES IN FAVOUR.

2. THE COUNCIL HAD MET IN INFORMAL CONSULTATIONS THIS EVENING. THE SECRETARY GENERAL REPORTED THAT HE HAD DELIVERED A FURTHER LETTER TO FARHANG SEEKING CLARIFICATION OF YESTERDAY'S LETTER FROM

1. AT A FORMAL MEETING OF THE SECURITY COUNCIL LATE THIS EVENING, THE U.S. SECOND STAGE SANCTIONS RESOLUTION WAS VETOED BY THE SOVIET UNION, HAVING RECEIVED TEN VOTES IN FAVOUR.

2. THE COUNCIL HAD MET IN INFORMAL CONSULTATIONS THIS EVENING. THE SECRETARY GENERAL REPORTED THAT HE HAD DELIVERED A FURTHER LETTER TO FARHANG SEEKING CLARIFICATION OF YESTERDAY'S LETTER FROM QOTBZADEH. HE HAD RECEIVED QOTBZADEH'S REPLY BY TELEPHONE THIS AFTERNOON. QOTBZADEH HAD EXPLAINED THAT THE IRANIANS WANTED WALDHEIM TO ESTABLISH AN INTERNATIONAL COMMISSION OF ENQUIRY AND SEND IT IMMEDIATELY TO TEHRAN WHERE IT WOULD EXAMINE THE PREVIOUS REGIME'S VIOLATIONS OF HUMAN RIGHTS AND DISCUSS THE QUESTION OF THE RELEASE OF THE HOSTAGES. THE COMMISSION'S WORK NEED NOT TAKE MORE THAN TWO WEEKS. IT WOULD THEN REPORT TO THE SECURITY COUNCIL WHICH WOULD ADOPT A RESOLUTION ENDORSING THE FINDINGS OF THE COMMISSION AND DECLARING THE LEGITIMACY OF IRAN'S CLAIMS FOR THE EXTRADITION OF THE SHAH AND THE RETURN OF HIS ASSETS. (QOTBZADEH REJECTED THE FORMULA IN PARA 3(C) OF MY TELNO 95: ANYONE HAD A RIGHT TO CLAIM ANYTHING; IT WAS THE LEGITIMACY OF THE CLAIM THAT THE UNITED NATIONS HAD TO ENDORSE). THE IRANIANS WOULD UNDERSTAND IF THE AMERICANS FELT OBLIGED TO ABSTAIN RATHER THAN VOTE IN FAVOUR OF SUCH A RESOLUTION (EXCLAM). ONLY AFTER IT HAD BEEN ADOPTED WOULD THE HOSTAGES BE RELEASED. QOTBZADEH ADDED THAT SUCH A RESOLUTION WOULD HELP IRAN IN THEIR LEGAL PURSUIT OF THE EXTRADITION OF THE SHAH FROM PANAMA.

3. MCHENRY THEN READ OUT A REUTERS REPORT, BASED ON TODAY'S TEHRAN PRESS, OF THE INSTRUCTIONS QOTBZADEH HAD SENT FARHANG CONCERNING YESTERDAY'S LETTER TO WALDHEIM (PARA 3 OF MY TELEGRAM UNDER REFERENCE). MCHENRY POINTED OUT THAT THESE INSTRUCTIONS WERE A GREAT DEAL STRONGER THAN THE TEXT WALDHEIM HAD RECEIVED. HE HAD NO DOUBT WHICH REPRESENTED THE TRUE POSITION OF THE IRANIAN AUTHORITIES.

4. I THEN INTERVENED AND SAID THAT THESE DEPRESSING DEVELOPMENTS INDICATED THAT WE WERE AT THE END OF THIS PARTICULAR ROAD. THE POSITION MIGHT CHANGE AFTER THE IRANIAN ELECTIONS, BUT A DELAY OF A FEW DAYS NOW WOULD MAKE NO DIFFERENCE AND I THOUGHT THE COUNCIL SHOULD GO AHEAD AND VOTE ON THE U.S. RESOLUTION. THERE WERE NO OTHER SPEAKERS AND IT WAS SO DECIDED.

5. WHEN THE COUNCIL MET FORMALLY, WALDHEIM REPORTED ON HIS CONTACTS OF THE LAST FEW DAYS. A SOLUTION HAD NOT YET BEEN FOUND BUT HE COULD CONTINUE HIS EFFORTS. IN A LONG AND DIGNIFIED STATEMENT, MCHENRY THEN REHEARSED THE FLIGHT OF THE HOSTAGES AND THE

COULD CONTINUE HIS EFFORTS. IN A LONG AND DIGNIFIED STATEMENT, MCHENRY THEN REHEARSED THE PLIGHT OF THE HOSTAGES AND THE SUCCESSIVE CALLS BY THE INTERNATIONAL COMMUNITY FOR THEIR RELEASE. THE TIME HAD COME FOR THE COUNCIL TO IMPOSE ECONOMIC SANCTIONS: THESE WOULD DEMONSTRATE IRAN'S ISOLATION (WHICH SHOULD BE OF SERIOUS CONCERN TO HER FOLLOWING SOVIET AGGRESSION IN AFGHANISTAN) AND PERHAPS STRENGTHEN THE VOICE OF THOSE IN IRAN WHO OPPOSED THE HOLDING OF THE HOSTAGES. THE INTERNATIONAL COMMUNITY HAD TO TAKE EFFECTIVE ACTION, FOR THE DESPUTE WAS BETWEEN IRAN AND THE WORLD, NOT JUST BETWEEN IRAN AND THE UNITED STATES.

6. TROYANOVSKY (USSR) MADE A BELLIGERENT ATTACK ON THE U.S. PROPOSAL, TAKING THE OPPORTUNITY TO GET SOME OF HIS OWN BACK AFTER ALL THE CRITICISM THE USSR HAS RECEIVED OVER AFGHANISTAN. HE SAID THAT THE SOVIET UNION STOOD FOR RESPECT FOR INTERNATIONAL LAW AND HAD SUPPORTED SCR 457 AND THE PREVIOUS APPEALS BY THE COUNCIL PRESIDENT. BUT THERE WAS NO BASIS FOR ALLEGING THE EXISTENCE OF AT THREAT TO INTERNATIONAL PEACE AND SECURITY. THE BILATERAL DISPUTE BETWEEN IRAN AND THE U.S. DID NOT FALL WITHIN CHAPTER 7 OF THE CHARTER. SANCTIONS COULD ONLY EXACERBATE THE SITUATION. THE U.S. HOWEVER HAD REJECTED ALL ATTEMPTS TO FIND A PEACEFUL SETTLEMENT AND WAS NOW TRYING TO ASSOCIATE THE UN WITH ITS POLICY OF THREATS AGAINST IRAN. THIS WAS INADMISSABLE. IRAN HAD DONE NOTHING TO THREATEN INTERNATIONAL PEACE AND SECURITY, UNLIKE THE U.S. WHOSE MILITARY MOVES HAD RAISED TENSION IN THE AREA. IF THE U.S. WAS ALLOWED TO INTERVENE IN IRAN'S INTERNAL AFFAIRS TODAY, IT WOULD BE THE TURN OF OTHER SOVEREIGN STATES TOMORROW.

7. THE GDR MADE SIMILAR POINTS, THOUGH LESS AGGRESSIVELY. MEXICO MADE QUITE A TELLING SPEECH AGAINST IMPOSING SANCTIONS AT THIS STAGE; THEY WERE SLOW TO OPERATE AND HAD NEVER WORKED IN THE PAST; THEY WOULD STRENGTHEN THE INTRANSIGENTS; IT WAS UNFAIR THAT THE WHOLE PEOPLE OF A LDC SHOULD SUFFER FOR THE ACTIONS OF A BUNCH OF FANATICS. BANGLADESH SAID THAT IT WOULD ABSTAIN BECAUSE MORE TIME FOR CONSULATIONS WAS NEEDED. CHINA EXPLAINED ITS NON-PARTICIPATION IN THE VOTE ON SIMILAR GROUNDS.

8. JAMAICA, NIGER, TUNISIA AND ZAMBIA SPOKE IN FAVOUR OF THE RESOLUTION WITH VARYING DEGREES OF RELUCTANCE AND IN ZAMBIA'S CASE IN TERMS SO AMBIGUOUS THAT THEY SEEMED TO PRESAGE AN ABSTENTION. JAMAICA, NIGER AND ZAMBIA POINTED OUT (AS HAD THE GDR) THAT SOUTH AFRICA TOO HAD FAILED TO OBSERVE SECURITY COUNCIL RESOLUTIONS BUT HAD NOT HAD SANCTIONS IMPOSED ON THEM. NIGER AND ZAMBIA MADE THE SAME POINT ABOUT

TO OBSERVE SECURITY COUNCIL RESOLUTIONS BUT HAD NOT HAD SANCTIONS IMPOSED ON THEM. NIGER AND ZAMBIA MADE THE SAME POINT ABOUT ISRAEL.

9. AFTER THE NON-ALIGNED HAD SPOKEN, I SPOKE FOR THE RESOLUTION, BRIEFLY AND IN A LOW KEY (TEXT IN MIFT). NORWAY, PORTUGAL AND FRANCE SPOKE SIMILARLY. OF THE COUNCIL MEMBERS ONLY THE PHILIPPINES DID NOT SPEAK. NO NON COUNCIL MEMBERS PARTICIPATED.

10. THE VOTE WAS THEN TAKEN. THE RESULT WAS TEN IN FAVOUR, TWO AGAINST (USSR, GDR) AND TWO ABSENTIONS (MEXICO, BANGLADESH). CHINA DID NOT PARTICIPATE.

11. AFTER THE VOTE, MCHENRY MADE A STRONG STATEMENT REBUTTING THE CHARGES IN THE SOVIET AND GDR STATEMENTS QUOTE WHICH COULD HAVE BEEN DRAFTED BY LEWIS CARROLL UNQUOTE AND ACCUSING THE SOVIET UNION OF MAKING IRRESPONSIBLE AND CYNICAL USE OF ITS VETO TO DIVERT ATTENTION FROM AFGHANISTAN. THE RUSSIANS CLEARLY RESPECTED INTERNATIONAL LAW ON A SELECTIVE BASIS ONLY. HE WENT ON TO SAY THAT SCR 461 STILL OBLIGED ALL MEMBER STATES, UNDER ARTICLE 25 OF THE CHARTER, TO ADOPT EFFECTIVE MEASURES AGAINST IRAN. THE UNITED STATES HAD ALREADY TAKEN SUCH MEASURES AND URGED ALL MEMBER STATES TO DO LIKEWISE. THEY WOULD CONTINUE TO COOPERATE WITH THE SECRETARY-GENERAL'S GOOD OFFICES.

12. TROYANOVSKY REPLIED IN INCREASINGLY COLD-WAR TONES. THE SOVIET VETO WAS USED ONLY TO PROTECT THE INTERESTS OF THE SOCIALIST AND NON-ALIGNED STATES FROM IMPERIALIST INTERFERENCE. IT WAS REGRETTABLE THAT SOME NON-ALIGNED COUNTRIES HAD SUPPORTED THE U.S. TODAY BUT TIME WOULD PASS AND HISTORICAL TRUTH PREVAIL. MEANWHILE THE U.S. WAS URGING MEMBER STATES TO ARROGATE TO THEMSELVES POWERS PROPERLY BELONGING TO THE SECURITY COUNCIL IN DECIDING TO IMPOSE SANCTIONS OF THEIR OWN ON IRAN.

13. SEE MY 2 IFT'S.

PARSONS

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IRAN: ADVANCE COPIES

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 MR J C MOBERLY
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 MR S PAYTON) ENGLAND

MR W KNIGHTON DEPT OF TRADE
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TO IMMEDIATE FCO

TELEGRAM NUMBER 101 OF 12 JANUARY

INFO IMMEDIATE TEHRAN WASHINGTON PARIS

MY TELNO 95; IRAN; SECURITY COUNCIL

1. AFTER FURTHER DELAYS THE COUNCIL MET IN INFORMAL CONSULTATIONS LATE THIS EVENING.

2. THE SECRETARY GENERAL READ OUT THE TEXT OF A LETTER TO QOTBZADEH WHICH HE HAD GIVEN FARHANG LATE LAST NIGHT. THE MAIN PARAGRAPHS WERE AS FOLLOWS:

BEGINS

THE SECURITY COUNCIL WISHES TO HAVE CONFIRMATION, UPON THE BASIS OF THE AUTHORITY OF AYATOLLAH KHOMEINI AND THE REVOLUTIONARY

DESKBY

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OF THE AUTHORITY OF AYATOLLAH KHOMEINI AND THE REVOLUTIONARY COUNCIL OF IRAN, THAT IF THE SECURITY COUNCIL WERE TO ADOPT A RESOLUTION IN WHICH IT WILL QUOTE RECOGNIZE THE LEGITIMATE RIGHT OF THE GOVERNMENT OF IRAN TO SEEK THE EXTRADITION OF THE FORMER SHAH AND THE RETURN OF NATIONAL ASSETS OF IRAN UNQUOTE THE IRANIAN AUTHORITIES WILL IMMEDIATELY RELEASE THE UNITED STATES PERSONNEL AND PERMIT THEIR SAFE DEPARTURE WITHOUT DELAY.

ALTERNATIVELY, THE SECURITY COUNCIL WISHES TO HAVE CONFIRMATION, ON THE AUTHORITY OF AYATOLLAH KHOMEINI AND THE REVOLUTIONARY COUNCIL OF IRAN, THAT THE GOVERNMENT OF IRAN IS PREPARED TO RELEASE THE UNITED STATES PERSONNEL AND PERMIT THEIR SAFE DEPARTURE WITHOUT DELAY IMMEDIATELY UPON THE ESTABLISHMENT OF AN INTERNATIONAL INQUIRY COMMITTEE TO INVESTIGATE ALLEGATIONS OF GRAVE VIOLATIONS OF HUMAN RIGHTS AND OF ILLEGAL ACTS UNDER THE PREVIOUS REGIME IN IRAN.

ENDS.

3. WALDHEIM THEN READ OUT A REPLY HE HAD RECEIVED FROM QOTBZADEH THIS AFTERNOON, ON THE FOLLOWING LINES: ON THE BASIS OF WALDHEIM'S DISCUSSIONS IN TEHRAN IT HAD BEEN DECIDED THAT HE WOULD ESTABLISH AN INTERNATIONAL COMMISSION OF ENQUIRY: IRAN REMAINED COMMITTED TO THE VIEW THAT SUCH A COMMISSION COULD NEGOTIATE A PEACEFUL SOLUTION: BUT ITS ESTABLISHMENT WOULD NOT BY ITSELF SOLVE THE PROBLEM: WHAT IRAN WAS SEEKING WAS FORMAL RECOGNITION BY THE INTERNATIONAL COMMUNITY OF THE LEGITIMATE RIGHTS OF IRAN CONCERNING THE EXTRADITION OF THE SHAH AND THE RETURN OF ASSETS ILLEGALLY REMOVED FROM IRAN.

4. WALDHEIM SAID THAT IN HANDING OVER THIS LETTER, FARHANG HAD ADDED THAT WALDHEIM WAS CLEARLY NOW ACCEPTED AS MEDIATOR, THAT KHOMEINI HAD NOW APPROVED THE WHOLE PACKAGE WALDHEIM HAD DISCUSSED IN TEHRAN, BUT THAT QOTBZADEH COULD NOT SAY MORE IN HIS LETTER FOR FEAR OF THE DAMAGE IT WOULD DO TO HIS POSITION IN IRAN IF IT BECAME PUBLIC. WALDHEIM NEVERTHELESS REGARDED THE LETTER AS A STEP FORWARD AND PROPOSED THAT HE SHOULD SEND A FURTHER LETTER TO QOTBZADEH SEEKING CERTAIN CLARIFICATIONS AND THAT MEANWHILE THE COUNCIL'S FORMAL MEETING SHOULD BE POSTPONED.

5. THERE FOLLOWED AN INTERMINABLE ARGUMENT ABOUT WHETHER THE LETTER JUSTIFIED FURTHER DELAY AND IF SO HOW LONG THAT DELAY SHOULD BE. MCHENRY (USA) POURED SCORN ON THE LETTER. IT CONTAINED NO REFERENCE TO WALDHEIM'S LETTER AND THE TWO PROPOSALS THEREIN, NOR DID IT REFER TO THE HOSTAGES: IT REPEATED UNACCEPTABLE PROPOSALS MADE SOME TIME AGO: ALTHOUGH IT OMITTED THE MORE EXTREME FEATURES OF THE

AGO; ALTHOUGH IT OMITTED THE MORE EXTREME FEATURES OF THE IRANIAN POSITION, THESE HAD BEEN VENTILATED IN A PRESS CONFERENCE GIVEN BY QOTBZADEH JUST WHEN THE LETTER WAS BEING DELIVERED TO WALDHEIM. THE UNITED STATES WAS NEVERTHELESS PREPARED, WITH EVEN LESS ENTHUSIASM THAN YESTERDAY, TO ACCEPT WALDHEIM'S PROPOSAL AND DELAY FOR A FURTHER 24 HOURS.

6. THE NON-ALIGNED MEMBERS, PLUS CHINA, PORTUGAL, THE SOVIET UNION AND THE GDR, ARGUED THAT THE LETTER WAS A STEP FORWARD AND THAT 24 HOURS WAS TOO SHORT A TIME TO ENABLE THE SECRETARY GENERAL TO EXPLORE THE NEGOTIATING POSSIBILITIES THAT MIGHT NOW EXIST. THE SOVIET UNION AND THE GDR ALSO COMPLAINED ABOUT THE PROCEDURE UNDER WHICH THE COUNCIL WAS ASKED TO TAKE A DECISION ON THE BASIS OF CORRESPONDENCE WHICH HAD ONLY BEEN READ OUT TO IT. THEY ASSUMED (AND WALDHEIM CONFIRMED) THAT HE WAS ACTING UNDER THE GOOD OFFICES PROVISIONS OF SCR'S 457 AND 461 AND THAT MEMBERS OF THE COUNCIL WERE NOT COMMITTED BY ANY LANGUAGE HE USED.

7. PERSONALLY I SHARE THE VIEW THAT THERE IS A CASE FOR ALLOWING WALDHEIM MORE TIME AND PRIVATELY I URGED MCHENRY TO WAIT AT LEAST UNTIL MONDAY MORNING. BUT HE MADE IT CLEAR THAT THERE WAS NO GIVE IN HIS INSTRUCTIONS. WHEN HE LOOKED LIKE LOSING THE ARGUMENT ABOUT WHEN THE NEXT MEETING SHOULD BE HELD, HE ASKED ME FOR SUPPORT AND I INTERVENED ACCORDINGLY.

8. IT WAS FINALLY AGREED THAT THE SECRETARY GENERAL SHOULD SEND ANOTHER LETTER TO QOTBZADEH AND THAT THE COUNCIL WOULD MEET AGAIN IN INFORMAL CONSULTATIONS EARLY TOMORROW EVENING.

THE U.S. RESOLUTION WILL BE VOTED ON THEREAFTER, UNLESS QOTBZADEH'S REPLY (IF ANY) TO WALDHEIM'S LETTER GIVES CONVINCING EVIDENCE OF A NEW OPENING. ON TODAY'S FORM I WOULD EXPECT THE USSR, THE GDR AND SOME OF THE NON-ALIGNED TO SAY IN THE COUNCIL'S FORMAL SESSION TOMORROW THAT THEY THINK THE AMERICANS HAVE BEEN UNDULY HASTY.

PARSONS

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IRAN: ADVANCE COPIES

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 MR J C MOBERLY
 LORD BRIDGES
 MR EVANS
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Lord R G Hancock

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SECRET

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 TO IMMEDIATE FCO
 TELEGRAM NO 200 OF 11 JANUARY
 INFO IMMEDIATE MUSCAT, (FOR PRIVATE SECRETARY)
 PRIORITY TEHRAN, UKMIS NEW YORK.

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US/IRAN

1. FORTESCUE CALLED THIS AFTERNOON ON SICK (NSC) AND PRECHT (STATE DEPARTMENT) TO SEE IF, IN ADVANCE OF COOPER'S LIKELY VISIT TO LONDON, EITHER COULD ADD TO WHAT SAUNDERS TOLD DEREK THOMAS ON 8 JANUARY (MY TEL 117).

2. BOTH SICK AND PRECHT INSISTED THAT, DESPITE THE IMMINENCE OF A POSSIBLE SOVIET VETO IN THE SECURITY COUNCIL, NO DECISIONS HAD YET BEEN TAKEN ABOUT WHAT THE US WOULD DO NEXT. SICK, WHOSE FUNCTIONS INCLUDE THAT OF SECRETARY TO NSC'S SPECIAL COORDINATING COMMITTEE ON IRAN, SAID THAT THAT MIGHT STILL BE TRUE WHEN COOPER IS IN LONDON. HE CONCEDED THAT THE LIST OF NON-MILITARY THINGS THAT COULD

INCLUDE THAT OF SECRETARY TO HSC'S SPECIAL COORDINATING COMMITTEE ON IRAN, SAID THAT THAT MIGHT STILL BE TRUE WHEN COOPER IS IN LONDON. HE CONCEDED THAT THE LIST OF NON-MILITARY THINGS THAT COULD BE DONE WAS NOW VERY SHORT INDEED (HE WOULD NOT ELABORATE) BUT STRESSED THAT THIS DID NOT MEAN THAT ANY VIOLENT MILITARY ACTION WAS CLOSE. THE IMPLICATION WAS THAT MEASURES NOW UNDER CONSIDERATION MIGHT WELL INCLUDE THE NON-VIOLENT USE OF MILITARY EQUIPMENT. SICK SPECIFICALLY MENTIONED, AS AN EXAMPLE OF SOMETHING SHORT OF A NAVAL BLOCKADE, THAT US NAVAL SHIPS COULD INTERROGATE VESSELS TRAVELLING TO AND FROM IRANIAN PORTS. BUT HE WAS NOT WILLING TO BE DRAWN INTO GIVING FURTHER EXAMPLES. LIKE EVERYONE WE SPEAK TO, SICK STRESSED THAT THE ADMINISTRATION WAS FULLY ALIVE TO THE DANGERS OF MORE DRAMATIC MILITARY ACTION, PARTICULARLY FOR OTHER NATIONALS IN IRAN, AND WOULD DO NOTHING WITHOUT PRIOR CONSULTATION. HE ADDED THE PERSONAL THOUGHT THAT IN WHAT IS BECOMING A GAME OF CHICKEN IT WAS LIKELY THAT, IF IT EVER CAME TO IT, THE AMERICANS WOULD NOT SIMPLY LAUNCH A MILITARY ATTACK OUT OF THE BLUE, BUT WOULD WISH TO USE THE THREAT OF ITS IMMINENCE AS PART OF THE POLICY OF ESCALATING PRESSURE ON WHICH THEY ARE FIRMLY EMBARKED.

3. OTHER VIEWS SICK EXPRESSED WERE:

I) THE AMERICANS WERE AWARE THAT MANY OF THEIR FRIENDS AND ALLIES BELIEVED THAT THE CURRENT SANCTIONS EXERCISE WAS LIKELY TO BE COUNTER-PRODUCTIVE. DUE CONSIDERATION HAD BEEN GIVEN TO THESE VIEWS, BUT THE DECISION, WITH WHICH SICK PERSONALLY AGREED, HAD BEEN TAKEN THAT THE CURRENT POLICY OF MAINTAINING AND INCREASING THE PRESSURE WAS RIGHT:

II) THE REVOLUTIONARY COUNCIL IN TEHRAN HAD SHOWN ITSELF TO BE A POWERLESS AND USELESS BODY. ITS MEMBERS WERE QUOTE THE FLOTSAM AND JETSAM OF HISTORY UNQUOTE WHO HAPPENED TO HAVE BEEN WASHED ASHORE AT THIS PARTICULAR MOMENT. THEY WERE BOTH AMBITIOUS AND SCARED FOR THEIR PERSONAL POSITIONS. QOTBZADEH IN PARTICULAR WAS UNINTELLIGENT AND INCOMPETENT, HIS ONLY CONCERN BEING TO REMAIN FOREIGN MINISTER RATHER LONGER THAN HIS PREDECESSORS:

III) THE AMERICANS HAD USED A NUMBER OF CHANNELS TO PUT TO THE IRANIANS IDEAS FOR WAYS OUT OF THE DEADLOCK. THERE HAD BEEN NO NIBBLE AT ALL FROM COM. SICK BELIEVED THAT THERE WAS NOT MUCH POINT IN PUTTING FORWARD FURTHER IDEAS. KHOMEINI WOULD SEND HIS OWN SIGNAL IF AND WHEN HE DECIDED THAT HE NO LONGER STOOD TO BENEFIT FROM THE PRESENT SITUATION. THERE WERE ANY NUMBER OF HEADS OF STATE AND OTHERS WHO WERE LONGING TO ACT AS INTERMEDIARIES IF THERE WAS A CHANCE OF NEGOTIATING THE HOSTAGES' RELEASE - SICK MENTIONED BY NAME ASSAD AND ARAFAT.

IV) THE BEST CHANCE OF KHOMEINI COMING TO SUCH A CONCLUSION LAY IN THE INCREASINGLY SERIOUS INTERNAL POLITICAL DIFFICULTIES HE WAS FACING - THOUGH THERE WAS NO GUARANTEE THAT ANY CHANGE IN HIS

IV) THE BEST CHANCE OF KHOMEINI COMING TO SUCH A CONCLUSION LAY IN THE INCREASINGLY SERIOUS INTERNAL POLITICAL DIFFICULTIES HE WAS FACING - THOUGH THERE WAS NO GUARANTEE THAT ANY CHANGE IN HIS ATTITUDE THAT THESE MIGHT CAUSE WOULD NECESSARILY HELP THE HOSTAGES:

V) KHOMEINI'S INTERNAL DIFFICULTIES WERE VERY SERIOUS. THE TROUBLES IN AZERBAIJAN MUST CAUSE HIM REAL CONCERN. TRADITIONALLY THE AZERBAIJANIS HAD BEEN IN THE VANGUARD OF REVOLUTIONARY MOVEMENT IN IRAN AND THE REST OF THE COUNTRY HAD FOLLOWED THE AZERBAIJANI LEAD ON SEVERAL OCCASIONS, INCLUDING 1978. THEIR REACTION AGAINST KHOMEINI COULD NOT BE EXPLAINED AWAY BY HIM AS A SIMPLE AUTONOMY MOVEMENT: THEY WERE GENUINELY OPPOSED TO WHAT HE WAS TRYING TO DO TO IRAN:

VI) KHOMEINI COULD STILL EXERCISE HIS AUTHORITY OVER THE QUOTE STUDENTS UNQUOTE, BUT WHAT HAD HAPPENED WAS THAT THEY WERE INCREASINGLY BECOMING HIS MOST DEPENDABLE CONSTITUENCY. IN TABRIZ, FOR EXAMPLE, ACCORDING TO AN EYEWITNESS ACCOUNT THE AMERICANS HAD RECEIVED, IT WAS THE UNIVERSITY WHICH HAD SPAWNED THE PRO-KHOMEINI COUNTER-MOVEMENT. KHOMEINI AND THE STUDENTS INCREASINGLY NEEDED EACH OTHER.

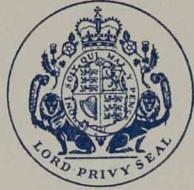
4. PRECHT, ON WHOM WE TRIED SIR A PARSONS' IDEA OF USING THE HUMAN RIGHTS COMMISSION (UKMIS NEW YORK TEL 81 - NOT TO MUSCAT) HAD NOT YET HEARD OF IT FROM MCHENRY. HE CLAIMED THAT IT HAD IN FACT BEEN CONSIDERED HERE IN THE EARLY DAYS BUT DISMISSED AS BEING SO DISTANT IN TIME AS NOT TO BE REALISTIC. HE WAS GLAD TO BE REMINDED THAT IT WAS NOW LOOMING ON THE HORIZON. HE STILL HOPED THAT SOMETHING MORE AD HOC ALONG THE LINES OF WALDHEIM'S THINKING COULD BE WORKED OUT SOONER IF A SIGNAL WAS RECEIVED BEFORE THE COMMISSION MEETING, BUT THOUGHT THE IDEA WELL WORTH BEARING IN MIND IF THERE WAS STILL NO RELEASE OF THE HOSTAGES BY FEBRUARY. HE THOUGHT THE AMERICANS MIGHT HAVE DIFFICULTY WITH THE TIMING SET OUT IN PARA 4 OF UKMIS TELEGRAM UNDER REFERENCE, AND WOULD PROBABLY NEED THE HOSTAGES TO BE RELEASED AT AN EARLIER STAGE IN THE PROCESS. BUT HE WAS MOST GRATEFUL FOR THIS AND ANY OTHER IDEAS WE MAY HAVE.

5. SICK AND PRECHT BOTH READILY ADMITTED THAT WE WERE NOW ENTERING A VERY DIFFICULT PERIOD.

6. SEE MY IMMEDIATELY FOLLOWING TELEGRAM (FCO AND MUSCAT ONLY).

HENDERSON

546



Prime Minister

Hope that LPS should be guided by the attached paper?

*Prms
- 11/1*

Prime Minister

POSSIBLE WESTERN ECONOMIC MEASURES AGAINST IRAN

As you know, it is now practically certain that the American Resolution in the Security Council seeking sanctions against Iran will fail. The Americans have conveyed to us privately, and are now leaking publicly, their expectation that their allies will join them in voluntary economic measures against Iran.

We have already made it clear, most recently in your message of 10 January to President Carter, that there would be substantial difficulties for us in such a course. Nevertheless, the Americans may well persevere and may even send a senior official (Cooper) to London on Monday 14 January to pursue this. We have since heard from the American Embassy that Christopher may stop off in London on Monday on his way to a NATO meeting the following day.

In anticipation of these developments, my officials have prepared the enclosed paper which outlines what might be possible in the economic field. The paper has been drawn up in consultation with other Whitehall Departments concerned.

If the American emissaries do arrive on Monday, it will be our aim to broaden the discussion into the wider political field. On the economic aspects, I shall ask Douglas Hurd and the officials whom they will see to take

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a largely interrogative line, explaining also some of the difficulties described in this paper. (You have, of course, already made it clear that we cannot be committed to unilateral or voluntary sanctions.)

You may also know that there will be an informal discussion of voluntary economic measures against Iran with Community Foreign Ministers on 15 January. (It will not be on the formal agenda so as to minimise publicity.) Subject to your views, I propose to be guided by the contents of this paper.

I am sending copies of this minute and its enclosure to other members of the Cabinet and to Sir Robert Armstrong.

1.45

11 January 1980

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The National Archives

LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>274</i> (one piece/item number)	
Extract/Item details: <i>Attachment to minute from Lord Privy Seal to Prime Minister dated 11 January 1980</i>	
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In Alexander

PRIME MINISTER

Handwritten notes:
PM agreed -
to Gordon
11/1
IL

The Governor has rung to say that Nobari, the Governor of the Iranian Central Bank, is back in town. He has not specifically asked for a meeting with Gordon Richardson, but he has made it known to Gordon that he is here. He has come to London again in connection with legal actions against the American banks. But Gordon feels that he ought to invite him in to discuss matters generally. If the question of assets blocking came up, Gordon would like to use the formula which we agreed before Christmas (copy attached) minus, of course, the last part on United Nations sanctions.

*The Chancellor agrees
IL*

I told Gordon that I was sure you would agree with this. However, he asked if I could confirm this with you so that he can invite Nobari in this afternoon.

// The Governor also told me that the new £1,000 million short tap, for which applications opened yesterday, ^{was} ~~were~~ sold out this morning. This is good news indeed.

11 January 1980

IL

You have asked for clarification of the Government's position.

Let me start by making it quite clear that none of these questions would arise if the American hostages had not been taken.

But I have made enquiries, and I can confirm that HMG would not contemplate blocking Iran's assets unless

- Iran grossly violated her obligations to us;
or

- the United Nations by mandatory resolution specifically required all nations to do so.

X
There would of course be no question of action by the United Nations if the hostages were released.

DESKBY

IMMEDIATE

IRAN: ADVANCE COPIES 49

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 MR C LUCAS) ENERGY

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FM WASHINGTON 110600Z JAN 80

TO IMMEDIATE F C O

IMMEDIATE

TELEGRAM NUMBER 174 OF 11 JANUARY

INFO IMMEDIATE UKMIS NEW YORK, PRIORITY UKREP BRUSSELS.

YOUR TELEGRAM NO. 72: IRAN: VOLUNTARY MEASURES.

MINISTER (COMMERCIAL) TOOK ACTION WITH COOPER (STATE DEPARTMENT) THIS EVENING. HE UNDERLINED YOUR DEEP CONCERN AT THESE REPORTS AND REFERRED TO THE ADDITIONAL REPORTS ON 9 JANUARY IN THE NEW YORK TIMES (MY TELEGRAM NO 136) AND ON 10 JANUARY IN THE WASHINGTON POST (MY TELEGRAM NO 141) AND TO A FURTHER SIMILAR REPORT IN THE JOURNAL OF COMMERCE QUOTING TREASURY SOURCES, WHICH ALL COMBINED TO GIVE THE IMPRESSION, RIGHTLY OR WRONGLY, OF A SERIES OF CONCENTRATED BRIEFINGS. HE REPEATED THE POINTS MADE BY THE P.U.S. TO BREWSTER BOTH ABOUT THE EXPLICIT AGREEMENT ON SECRECY ABOUT THE VOLUNTARY MEASURES AND ON THE PROBLEM OF ECONOMIC SANCTIONS WITHOUT SECURITY COUNCIL BACKING.

2. COOPER WAS PLAINLY EMBARRASSED, BUT DENIED VIGOROUSLY THAT U.S. OFFICIALS HAD GIVEN ANY DETAILS OF THE VOLUNTARY MEASURES. HE HAD BEEN AS SURPRISED AS WE WERE BY THE DEPTH AND DETAIL OF THE NEW YORK TIMES ARTICLE OF 9 JANUARY. HE HAD ALWAYS THOUGHT IT LIKELY THAT THE DETAILS OF THE VOLUNTARY MEASURES WOULD LEAK LITTLE BY LITTLE,

TIMES ARTICLE OF 9 JANUARY. HE HAD ALWAYS THOUGHT IT LIKELY THAT THE DETAILS OF THE VOLUNTARY MEASURES WOULD LEAK LITTLE BY LITTLE, ONCE GOVERNMENTS AND CENTRAL BANKS HAD SPOKEN TO THEIR BANKS AND OIL COMPANIES. BUT HE POINTED OUT THAT THE NEW YORK TIMES QUOTED QUOTE DIPLOMATIC SOURCES UNQUOTE FOR ITS STORY. HE HAD HAD A THOROUGH CHECK MADE BY THE STATE DEPARTMENT AND WAS QUITE CERTAIN THAT THE SOURCE MUST HAVE BEEN OUTSIDE THE ADMINISTRATION. NOR HE THOUGHT, COULD IT HAVE BEEN THE U.S. MISSION IN NEW YORK WHO HE BELIEVED WERE IGNORANT OF THE DETAILS OF THE VOLUNTARY MEASURES. THESE HAD BEEN HELD VERY TIGHT IN WASHINGTON.

3. COOPER WENT ON THAT IN RESPONSE TO THE NEW YORK TIMES ARTICLE, (BUT NOT BEFORE IT) THE STATE DEPARTMENT HAD AUTHORISED HODDING CARTER ON 9 JANUARY TO BRIEF THE PRESS ON THE LINES THAT HAD BEEN AGREED BETWEEN US, VIZ. THAT CERTAIN MEASURES OF COOPERATION WERE BEING TAKEN BUT THEY WERE NOT PREPARED TO GIVE ANY DETAILS. COOPER WAS FULLY CONFIDENT THAT HODDING CARTER HAD NOT GONE BEYOND THIS.

4. HOWEVER, YESTERDAY EVENING A BACKGROUND BRIEFING HAD BEEN GIVEN BY QUOTE A HIGH STATE DEPARTMENT OFFICIAL UNQUOTE ON THE SEPARATE QUESTION OF ACTION TO BE TAKEN IN THE EVENT OF FAILURE TO GET A SANCTIONS RESOLUTION IN THE SECURITY COUNCIL. (COOPER WAS NOT TO BE PERSUADED TO REVEAL THE IDENTITY OF THIS QUOTE OFFICIAL UNQUOTE BUT LEFT LITTLE DOUBT IN THOMAS' MIND THAT IT WAS VANCE.)

COOPER HAD CHECKED THE RECORD OF WHAT HAD BEEN SAID ON THIS POINT AT THE BACKGROUND BRIEFING. HE ADMITTED THAT THE OFFICIAL HAD SAID THAT HE QUOTE EXPECTED UNQUOTE THE ALLIES WOULD ADOPT ECONOMIC MEASURES AGAINST IRAN. BUT HE DENIED THAT HE HAD IMPLIED THAT THERE WAS ALREADY AN AGREEMENT THAT THEY SHOULD DO SO. HE ALSO DENIED THAT THE OFFICIAL HAD GIVEN ANY INDICATION OF THE RANGE OF MEASURES HE EXPECTED THE ALLIES TO ADOPT. NOR HAD ANYTHING BEEN ADDED ON THE VOLUNTARY MEASURES.

5. COOPER PRESUMED THAT DAVID BUCHAN MUST HAVE JUXTAPOSED ALL THREE OF THESE ELEMENTS IN HIS ARTICLE IN THE FINANCIAL TIMES OF 10 JANUARY, GIVING A COMPLETELY ERRONEOUS IMPRESSION OF THE KIND OF BRIEFING GIVEN BY THE STATE DEPARTMENT (THE STORY ONLY APPEARED IN THE LATER EDITIONS WHICH SUGGESTS THAT IT WAS FILED HERE LATE ON 9 JANUARY) HE READ OUT PARTS OF A TELEGRAM OF INSTRUCTIONS HE WAS ABOUT TO SEND TO BREWSTER, SETTING OUT THIS BACKGROUND, EXPRESSING DEEP REGRET AT THE PUBLICATION OF THESE STORIES, BUT EMPHASISING THAT THERE WAS NO QUESTION OF THE AMERICANS TRYING TO SCORE POINTS, WHETHER FOR A DOMESTIC OR INTERNATIONAL AUDIENCE.

6. THOMAS UNDERTOOK TO REPORT WHAT COOPER HAD SAID. HE REMINDED HIM AGAIN OF THE REASONS FOR OUR CONCERN AND OF THE NEED TO AVOID REPORTS OF THIS KIND. HE SUGGESTED THAT IN FUTURE, IF THE STATE DEPARTMENT FELT IT NECESSARY TO GIVE ANY BRIEFING ON THIS EXCEPTIONALLY SENSITIVE SUBJECT, IT WOULD BE PRUDENT TO LET US KNOW IN ADVANCE IF THEY WERE TO AVOID UNDERMINING CONFIDENCE. COOPER

JANUARY, GIVING A COMPLETELY ERRONEOUS IMPRESSION OF THE KIND OF BRIEFING GIVEN BY THE STATE DEPARTMENT (THE STORY ONLY APPEARED IN THE LATER EDITIONS WHICH SUGGESTS THAT IT WAS FILED HERE LATE ON 9 JANUARY) HE READ OUT PARTS OF A TELEGRAM OF INSTRUCTIONS HE WAS ABOUT TO SEND TO BREWSTER, SETTING OUT THIS BACKGROUND, EXPRESSING DEEP REGRET AT THE PUBLICATION OF THESE STORIES, BUT EMPHASISING THAT THERE WAS NO QUESTION OF THE AMERICANS TRYING TO SCORE POINTS, WHETHER FOR A DOMESTIC OR INTERNATIONAL AUDIENCE.

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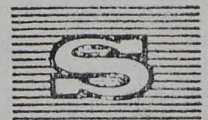
ADVANCES (BY 110900Z) TO P.U.S., LORD BRIDGES, SIR K. COUZENS.

HENDERSON

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[ADVANCED AS REQUESTED]

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UNITED NATIONS
SECURITY
COUNCIL



Distr.
GENERAL

S/13735
10 January 1980

ORIGINAL: ENGLISH

United States of America: draft resolution

The Security Council,

Recalling its resolutions 457 (1979) of 4 December 1979, and 461 (1979) of 31 December 1979,

Recalling also the appeal made by the President of the Security Council on 9 November 1979 (S/13616) which was reiterated on 27 November 1979 (S/13652),

Having taken note of the letters dated 13 November 1979 and 1 December 1979 concerning the grievances and views of Iran (S/13626 and S/13671, respectively),

Having taken into account the Order of the International Court of Justice of 15 December 1979 calling on the Government of the Islamic Republic of Iran to ensure the immediate release, without any exception, of all persons of United States nationality, who are being held as hostages in Iran (S/13697) and also calling on the Government of the United States of America and the Government of the Islamic Republic of Iran to ensure that no action is taken by them which will aggravate the tension between the two countries,

Further recalling the letter dated 25 November 1979 from the Secretary-General (S/13646) stating that, in his opinion, the present crisis between the Islamic Republic of Iran and the United States of America poses a serious threat to international peace and security,

Bearing in mind the adoption by the General Assembly by consensus on 17 December 1979 of the Convention Against the Taking of Hostages,

Mindful of the obligation of States to settle their international disputes by peaceful means in such a manner that international peace and security, and justice, are not endangered and, to that end, to respect the decision of the Security Council,

Conscious of the responsibility of States to refrain in their international relations from the threat of use of force against the territorial integrity or political independence of any State, or in any other manner inconsistent with the purposes of the United Nations,

Affirming that the safe release and departure from Iran of all those being held hostage is an essential first step in resolving peacefully the issues between Iran and the United States and the other States members of the international community,

Reiterating that once the hostages have been safely released, the Government of Iran and the United States of America should take steps to resolve peacefully the remaining issues between them to their mutual satisfaction in accordance with the purposes and principles of the United Nations,

Further taking into account the report of the Secretary-General of 6 January 1980 (S/13730) made pursuant to resolutions 457 (1979) of 4 December 1979 and 461 (1979) of 31 December 1979,

Bearing in mind that the continued detention of the hostages constitutes a continuing threat to international peace and security,

Acting in accordance with Articles 39 and 41 of the Charter of the United Nations,

1. Urgently calls, once again, on the Government of the Islamic Republic of Iran to release immediately all persons of United States nationality being held as hostages in Iran, to provide them protection and to allow them to leave the country;

2. Decides that, until such time as the hostages are released and have safely departed from Iran, all States Members of the United Nations:

(a) shall prevent the sale or supply, by their nationals or from their territories, whether or not originating in their territories, to or destined for Iranian governmental entities in Iran or any other person or body in Iran, or to or destined for any other person or body for the purposes of any enterprise carried on in Iran, of all items, commodities, or products, except food, medicine, and supplies intended strictly for medical purposes;

(b) shall prevent the shipment by vessel, aircraft, railway, or other land transport of their registration or owned by or under charter to their nationals, or the carriage whether or not in bond by land transport facilities across their territories of any of the items, commodities, and products covered by subparagraph (a) which are consigned to or destined for Iranian governmental entities or any person or body in Iran, or to any enterprise carried on in Iran;

(c) shall not make available to the Iranian authorities or to any person in Iran or to any enterprise controlled by any Iranian governmental entity any new credits or loans; shall not, with respect to such persons or enterprises, make available any new deposit facilities or allow substantial increases in existing non-dollar deposits or allow more favourable terms of payment than customarily used in international commercial transactions; and shall act in a businesslike manner in exercising any rights when payments due on existing credits or loans are

/...

not made on time and shall require any persons or entities within their jurisdiction to do likewise;

(d) shall prevent the shipment from their territories on vessels or aircraft registered in Iran of products and commodities covered by subparagraph (a) above;

(e) shall reduce to a minimum the personnel of Iranian diplomatic missions accredited to them;

(f) shall prevent their nationals, or firms located in their territories, from engaging in new service contracts in support of industrial projects in Iran, other than those concerned with medical care;

(g) shall prevent their nationals or any person or body in their territories from engaging in any activity which evades or has the purpose of evading any of the decisions set out in this resolution;

3. Decides that all States Members of the United Nations shall give effect forthwith to the decisions set out in operative paragraph 2 of this resolution notwithstanding any contract entered into or licence granted before the date of this resolution;

4. Calls upon all States Members of the United Nations to carry out these decisions of the Security Council in accordance with Article 25 of the Charter;

5. Urges, having regard to the principles stated in Article 2 of the Charter, States not members of the United Nations to act in accordance with the provisions of the present resolution;

6. Calls upon all other United Nations bodies and the specialized agencies of the United Nations and their members to conform their relations with Iran to the terms of this resolution;

7. Calls upon all States Members of the United Nations, and in particular those with primary responsibility under the Charter for the maintenance of international peace and security, to assist effectively in the implementation of the measures called for by the present resolution;

8. Calls upon all States Members of the United Nations or of the specialized agencies to report to the Secretary-General by 1 February 1980 on measures taken to implement the present resolution;

9. Requests the Secretary-General to report to the Council on the progress of the implementation of the present resolution, the first report to be submitted not later than 1 March 1980.

PS
PS/SIR I GILMOUR
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PS/PUS
SIR D MAITLAND
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LORD BRIDGES
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MR D LE B JONES) DEPT OF
MR C LUCAS) ENERGY

Lord H G Hancock

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CONFIDENTIAL

FM WASHINGTON 101525Z JANUARY 80
TO IMMEDIATE FCO
TELEGRAM NUMBER 141 OF 10 JANUARY
INFO UKMIS NEW YORK.

IMMEDIATE

US/IRAN

1. THE WASHINGTON POST TODAY CARRIES AN ARTICLE QUOTING A SENIOR STATE DEPARTMENT OFFICIAL AS SAYING THAT QUOTE THE US AND ITS MAJOR ALLIES WILL IMPOSE ECONOMIC SANCTIONS ON THEIR OWN AGAINST IRAN IF THE SOVIET UNION VETOES THE FORMAL MOVE IN THE SECURITY COUNCIL UNQUOTE.

2. AS WE HAVE REPORTED, WE HAVE MADE IT CLEAR AT HIGH LEVEL IN THE STATE DEPARTMENT ON REPEATED OCCASIONS THAT IT WOULD BE HARD, IF NOT IMPOSSIBLE, FOR US TO GO BEYOND THE VOLUNTARY MEASURES ALREADY AGREED, IN THE ABSENCE OF A SECURITY COUNCIL RESOLUTION. WE HAVE NOT YET BEEN ABLE TO IDENTIFY QUOTE THE SENIOR STATE DEPARTMENT OFFICIAL UNQUOTE QUOTED IN THE ARTICLE (WE ARE PRETTY SURE IT IS NOT COOPER) BUT WILL CONTINUE TO MAKE THE POINT CLEAR HERE AT ALL LEVELS.

MAKE THE POINT CLEAR HERE AT ALL LEVELS.

3. COOPER'S PLANS FOR A VISIT TO EUROPE TO DISCUSS THE PROBLEMS OF ECONOMIC ACTION AGAINST IRAN FOLLOWING THE SECURITY COUNCIL VOTE (PARAGRAPH 2 OF MY TELEGRAM NO 117) ARE STILL NOT FINAL BUT THE MOST LIKELY DATE FOR HIM TO VISIT LONDON IS STILL 14 JANUARY.

HENDERSON

IMMEDIATE

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IRAN: ADVANCE COPIES

43

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 ASSESSMENTS STAFF)
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 MR LE CHEMINANT) OFFICE
 MR P G FOWLER R 217)
 DIO)

PS/CHANCELLOR)
 MR F R BARRATT) TREASURY
 MR D J S HANCOCK)
 MR C W MCMAHON) BANK OF
 MR S PAYTON) ENGLAND
 Mr R Williams CRES DC
 MR W KNIGHTON DEPT OF TRADE
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 MR D LE B JONES } DEPT OF
 MR C LUCAS } ENERGY

Lord R G Hume

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DESKBY PARIS 110800Z

DESKBY FCO 110900Z

FROMUKMIS NEWYORK 110023Z JAN 80

TO IMMEDIATE F C O

TELEGRAM NUMBER 82 OF 10 JANUARY

INFO IMMEDIATE WASHINGTON TEHRAN PARIS

YOUR TELNO 34: IRAN: SECURITY COUNCIL.

1. THE U S MISSION HOPE TO CIRCULATE THEIR DRAFT RESOLUTION LATER THIS EVENING, THOUGH THE DECISION HAS NOT BEEN FINALLY MADE. THEY SAY THAT THE DELAY IS DUE TO MINOR LAST MINUTE POINTS RAISED BY THE QUOTE TECHNICIANS IN WASHINGTON UNQUOTE, THOUGH I THINK IT MORE LIKELY THAT IT IS IN FACT DUE TO UNCERTAINTY WITHIN THE ADMINISTRATION ABOUT HOW TO RESPOND TO THE MEXICAN PROPOSAL DESCRIBED IN THE NEXT PARAGRAPH. THE AMERICANS SAY THAT, WHETHER OR NOT THE DRAFT IS CIRCULATED TONIGHT, THEY WANT A FORMAL MEETING OF THE COUNCIL AND A VOTE TOMORROW AFTERNOON. THE PRESIDENT OF THE COUNCIL HAS ARRANGED INFORMAL CONSULTATIONS WITH THE VARIOUS REGIONAL GROUPS DURING TOMORROW MORNING. CONSULTATIONS IN CONSULTATIONS...

COUNCIL AND A VOTE TOMORROW AFTERNOON. THE PRESIDENT OF THE COUNCIL HAS ARRANGED INFORMAL CONSULTATIONS WITH THE VARIOUS REGIONAL GROUPS DURING TOMORROW MORNING, CULMINATING IN CONSULTATIONS OF THE WHOLE AT 1730Z.

2. THE AMERICANS HAVE ENCOUNTERED STRONG URGING FROM THE NON-ALIGNED, LED BY MEXICO, NOT TO PRESS THEIR RESOLUTION TO A VOTE THIS WEEK. MY MEXICAN COLLEAGUE HAS PROPOSED THAT THE NON-ALIGNED MEMBERS OF THE COUNCIL SHOULD JOINTLY TELEPHONE QOTBZADEH AND ASK FOR THE RELEASE OF THE HOSTAGES; IF THIS FAILED, HE WOULD GUARANTEE THE VOTES OF ALL THE NON-ALIGNED FOR THE U S RESOLUTION. ALTHOUGH THE U S MISSION HERE ARE THEMSELVES CONSCIOUS OF THE DANGERS OF PRESSING AHEAD, THE FURTHEST THEY ARE PREPARED TO GO (AND THEY HAVE NOT YET OBTAINED WASHINGTON'S AGREEMENT TO THIS) IS TO INSERT A PROVISION IN THE DRAFT RESOLUTION UNDER WHICH THE SANCTIONS WOULD NOT ACTUALLY BE ENFORCED FOR A FURTHER SEVEN DAYS. THIS WOULD OF COURSE BE ONLY A COSMETIC CHANGE.

3. MCHENRY TELLS ME THAT HE HAS GOT NINE VOTES, VIZ THE WESTERN FIVE, JAMAICA, NICER, PHILIPPINES AND TUNISIA. HE DOES NOT KNOW WHAT THE CHINESE WILL DO BUT DOES NOT EXCLUDE THE POSSIBILITY THAT THEY WILL VOTE IN FAVOUR. HE REGARDS BANGLADESH AND ZAMBIA AS A LOST CAUSE AND SEES NO POINT IN MY LOBBYING THEM. HE DID, HOWEVER, THINK IT WOULD BE USEFUL FOR ME TO SPEAK TO THE MEXICAN AND I AM TRYING TO DO THIS.

4. THE AMERICANS ARE NOT EXPECTING STATEMENTS AT THE COUNCIL'S FORMAL MEETING TOMORROW. UNLESS OTHER MEMBERS SPEAK, I SHALL THEREFORE NOT DO SO MYSELF. IF I DO HAVE TO SPEAK, IT WILL BE VERY BRIEFLY AND IN A LOW KEY.

PARSONS

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MR C BENJAMIN) DOI
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FM TEHRAN 100830Z JAN

TO IMMEDIATE FCO

TELEGRAM NUMBER 36 OF 10 JAN 80

INFO IMMEDIATE CABINET OFFICE (DIO), MODUK (DI1 AND DS11),

CRES, WASHINGTON, UKMIS NEW YORK, BAHRAIN,

INFO PRIORITY ABU DHABI, ANKARA, BAGHDAD, DOHA, DUBAI,

ISLAMABAD, JEDDA, KABUL, KUWAIT, MOSCOW, TOKYO, MUSCAT,

NEW DELHI AND EEC POSTS.

MY TEL NO 31 : SITUATION IN IRAN.

1. THERE WERE MARCHES THROUGHOUT IRAN YESTERDAY TO COMMEMORATE ARBA'IN, THE 40TH DAY AFTER ASHURA. MARCHERS LOYAL TO KHOMEINI AND SHARIAT-MADARI CLASHED AGAIN IN TABRIZ, LEAVING ACCORDING TO THE LOCAL PRESS 100 DEAD AND OVER 1000 INJURED. MORE REVOLUTIONARY GUARDS WERE SENT TO THE CITY LAST NIGHT IN AN ATTEMPT TO RESTORE ORDER ("TO CRUSH THE RIOTERS" AS THE TEHRAN TIMES PUTS IT), AND THIS MORNING'S LOCAL NEWS ANNOUNCED THAT THEY HAD SUCCEEDED IN DOING SO. FOREIGN JOURNALISTS WERE ORDERED TO LEAVE TABRIZ 3 DAYS AGO, BUT THERE ARE NEVERTHELESS REPORTS OF (POSSIBLY LOCAL) JOURNALISTS BEING BELIEVABLY KILLED

THAT THEY HAD SUCCEEDED IN DOING SO. FOREIGN JOURNALISTS WERE ORDERED TO LEAVE TABRIZ 3 DAYS AGO, BUT THERE ARE NEVERTHELESS REPORTS OF (POSSIBLY LOCAL) JOURNALISTS BEING DELIBERATELY FIRED ON BY DEMONSTRATORS AND ONE BEATEN UP.

2. REVOLUTIONARY GUARD PATROLS WERE MUCH IN EVIDENCE YESTERDAY IN QOM, WHERE THE MARCHES PASSED OFF WITHOUT INCIDENT.

KHOMEINI MADE A CALL FOR UNITY TO A GROUP OF VISITING AZERBAIJANIS AND SAID THAT THE START OF NATIONAL RECONSTRUCTION SHOULD NOT WAIT UNTIL THE PRESIDENTIAL ELECTIONS, IN WHICH HE ASKED THEM TO PARTICIPATE, HAD BEEN HELD. WITHOUT GIVING ANY REASON SHARIAT MADARI HAD ASKED HIS SUPPORTERS NOT TO CALL ON HIM AS THEY HAVE DONE IN PREVIOUS YEARS.

3. THERE WAS A FAIRLY LARGE AND PEACEFUL TURNOUT FOR THE ARBA' IN MARCHES IN TEHRAN, THOUGH NOTHING LIKE ON THE SCALE OF THOSE LAST YEAR. THE SLOGANS WERE ANTI-AMERICAN RATHER THAN RELIGIOUS. THE CROWD OUTSIDE THE US EMBASSY, WHICH WAS NOT ON THE MAIN ROUTE, WAS NOT PARTICULARLY LARGE, THOUGH STALLHOLDERS THERE SAID BUSINESS WAS BRISK, AND THE "STUDENTS" ACTING AS CHEERLEADERS WERE UNABLE TO WHIP UP AN INSPIRED SESSION OF SLOGAN-CHANTING.

4. THE SIT-IN IN SANANDAJ (SEE TUR) IS CONTINUING THOUGH THERE HAVE BEEN NO FURTHER REPORTS OF FIGHTING. SABBAGHIAN, MINISTER OF THE INTERIOR AND A MEMBER OF THE GOODWILL DELEGATION, SAID YESTERDAY THAT THE DELEGATION HAD PREPARED A FINAL ULTIMATUM TO THE KURDS ON THE AUTONOMY ISSUE, BUT DID NOT GIVE DETAILS. KHOMEINI'S REPRESENTATIVE IN WEST IRAN, KERMANI, HAS ALSO TAKEN AN UNCOMPROMISING LINE DESCRIBING THE WITHDRAWAL OF REVOLUTIONARY GUARDS AS A CATASTROPHE AND PROPOSING THAT FUTURE TALKS SHOULD BE HELD IN TEHRAN OR QOM. THE KURDISH RELIGIOUS LEADER, HOSSEINI, HAS EXPRESSED "DEEP REGRET" AT THE DEATH OF FOUR MEMBERS OF THE GENDARMERIE OUTSIDE MAHABAD IN AN AMBUSH OF A CONVOY AFTER WHICH 120 GENDARMES WERE RELIEVED OF THEIR WEAPONS (PARA 5 OF MY TUR).

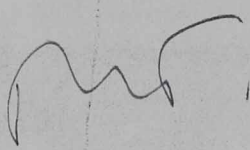
5. MARPLES RIDGWAY REPORT FROM ZAHEDAN THAT WHAT APPEARS TO BE SIMPLE BRIGANDAGE IS ON THE INCREASE AND THAT LOCAL BUSES AND TRUCKS NOW TRAVEL IN CONVOYS.

6. THE SEMINAR OF WORLD LIBERATION MOVEMENTS (MY TEL NO 30) IS DUE TO END TODAY.

7. A PETROL BOMB WAS THROWN OVER THE NORTH WALL OF THE EMBASSY COMPOUND LAST NIGHT BUT CAUSED NO DAMAGE.

5. MARPLES RIDGWAY REPORT FROM ZAHEDAN THAT WHAT APPEARS TO BE SIMPLE BRIGANDAGE IS ON THE INCREASE AND THAT LOCAL BUSES AND TRUCKS NOW TRAVEL IN CONVOYS.
6. THE SEMINAR OF WORLD LIBERATION MOVEMENTS (MY TEL NO 30) IS DUE TO END TODAY.
7. A PETROL BOMB WAS THROWN OVER THE NORTH WALL OF THE EMBASSY COMPOUND LAST NIGHT BUT CAUSED NO DAMAGE.
8. I AM REPORTING SEPARATELY (NOT TO ALL) BEHESHTI'S REMARKS YESTERDAY THAT THERE HAD BEEN "SOME MOVEMENT" TOWARDS THE RELEASE OF THE AMERICAN HOSTAGES, WHICH MIGHT BE ACHIEVED "IN A FEW WEEKS".
9. NEXT SITREP ON 13 JANUARY.

GRAHAM
BT



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SIR D MAITLAND
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Lord R G Hamrick

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Re R Williams CRES DC
MR W KNIGHTON DEPT OF TRADE
MR C BENJAMIN DOI

MR D LE B JONES) DEPT OF
MR C LUCAS) ENERGY

[Signature]

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FM UKMIS NEW YORK 110022Z JAN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 81 OF 10 JANUARY

INFO IMMEDIATE WASHINGTON UKMIS GENEVA TEHRAN

YOUR TELNO 54: IRAN HOSTAGES AND THE HUMAN RIGHTS COMMISSION

1. IT OCCURS TO ME THAT THE FORTHCOMING UN COMMISSION ON HUMAN RIGHTS WHICH MEETS IN GENEVA FROM 4 FEBRUARY TO 14 MARCH COULD PROVIDE THE "INTERNATIONAL INVESTIGATION" TO EXAMINE THE ABUSES OF HUMAN RIGHTS BY THE SHAH'S REGIME FOR WHICH THE IRANIANS HAVE BEEN CLAMOURING. THE COMMISSION IS A PRESTIGIOUS INTERNATIONAL BODY AND HAS THE POWER TO SET UP INVESTIGATORY GROUPS COMPOSED OF OUTSIDE INDIVIDUALS. IT IS ALSO A UN BODY AND THE IRANIANS HAVE BEEN PARTICULARLY CRITICAL OF THE UNITED NATIONS FAILURE TO DO ANYTHING ABOUT HUMAN RIGHTS ABUSES IN IRAN WHEN THE SHAH WAS IN POWER. THIS FORUM MIGHT THEREFORE HAVE SOME ATTRACTIONS FOR THE IRANIANS AND

ABOUT HUMAN RIGHTS ABUSES IN IRAN WHEN THE SHAH WAS IN POWER, THIS FORUM MIGHT THEREFORE HAVE SOME ATTRACTIONS FOR THE IRANIANS AND WOULD FIT WELL WITH THE VIEWS ATTRIBUTED TO THOSE MEMBERS OF THE REVOLUTIONARY COUNCIL IN PARAGRAPH 2 OF TEHRAN TELNO 29 (OF WALDHEIM'S COMMENTS IN PARAGRAPHS 4 AND 6 OF MY TELNO 51).

2. AS FOR THE AMERICANS, THEY HAVE STATED THAT INTERNATIONAL FORA COULD BE MADE AVAILABLE FOR THE AIRING OF IRANIAN GRIEVANCES, PROVIDED THE HOSTAGES WERE RELEASED FIRST (SEE FOR INSTANCE PARAGRAPH 1 OF WASHINGTON TELNO 96 AND SAUNDERS' COMMENTS REPORTED IN PARAGRAPH 4 OF WASHINGTON TELNO 117).

3. IF THE HUMAN RIGHTS COMMISSION WERE TO BE USED AS PART OF A DEAL INVOLVING THE RELEASE OF THE HOSTAGES, THE SCENARIO MIGHT BE AS FOLLOWS.

THE SECRETARY-GENERAL OR A MEMBER OF THE COMMISSION COULD CIRCULATE A LETTER SUGGESTING THAT A NEW ITEM ENTITLED "ABUSES OF HUMAN RIGHTS BY THE FORMER IRANIAN REGIME" BE INSCRIBED ON THE COMMISSION'S AGENDA. WHEN THE COMMISSION MET ON 4 FEBRUARY THIS ITEM COULD BE FORMALLY ADOPTED AND GIVEN PRIORITY. THE COMMISSION WOULD THEN PROCEED TO AN EARLY AND FULL SCALE DEBATE WHICH WOULD RECEIVE WIDE INTERNATIONAL PUBLICITY. THEREAFTER THE COMMISSION COULD SET UP A SPECIAL WORKING GROUP WHICH COULD MEET ALMOST IMMEDIATELY AND SUBMIT AN EARLY REPORT. MEMBERS OF THE WORKING GROUP COULD INCLUDE PERSONS ACCEPTABLE TO THE IRANIANS. AMNESTY INTERNATIONAL FOR INSTANCE HAS A LONG RECORD OF EXPOSING THE ABUSES OF THE SHAH'S REGIME.

4. THE CRITICAL QUESTIONS OF COURSE ARE WHEN DURING THIS PROCESS THE HOSTAGES WOULD BE RELEASED AND HOW THE IRANIANS WOULD BE GOT TO COMMIT THEMSELVES IN ADVANCE THAT THEY WOULD (LAST WORD UNDERLINED) RELEASE THE HOSTAGES IN RETURN FOR THE HUMAN RIGHTS COMMISSION'S TAKING UP THE "SHAH'S CRIMES". ON THE FIRST QUESTION, ONE POSSIBILITY WOULD BE FOR THE HOSTAGES TO BE RELEASED IMMEDIATELY AFTER, AND OSTENSIBLY AS A RESPONSE TO, THE COMMISSION'S DECISION TO SET UP A SPECIAL WORKING GROUP. AS FOR THE SECOND, NEGOTIATIONS WOULD PRESUMABLY BE CONDUCTED BY WALDHEIM OR SOME OTHER INTERMEDIARY. ALL THIS WOULD REQUIRE IN IRAN A READINESS TO COMPROMISE AND GET OFF THE HOSTAGES HOOK WHICH DOES NOT AT PRESENT APPEAR TO EXIST IN GOM, AND IN THE UNITED STATES A READINESS TO TRUST THE IRANIANS TO DELIVER THEIR PART OF THE BARGAIN AFTER THE PROCEEDINGS HAD STARTED IN THE HUMAN RIGHTS COMMISSION. THE ATMOSPHERE CREATED BY THE CURRENT AMERICAN PRESSURE FOR SANCTIONS IS HARDLY CONDUCTIVE. BUT I SUPPOSE THAT IT IS JUST POSSIBLE THAT THE EXPECTED SOVIET VETO OF THE SANCTIONS RESOLUTION MIGHT BE SEEN BY KHOMEINI AS A VICTORY ENABLING HIM TO CONSIDER A NEGOTIATED SETTLEMENT. BUT I DOUBT IT. WE HAVE, HOWEVER MENTIONED THE ABOVE IDEA INFORMALLY TO MCHENRY, WHO REACTED QUITE

THAT IT IS JUST POSSIBLE THAT THE EXPECTED SOVIET VETO OF THE SANCTIONS RESOLUTION MIGHT BE SEEN BY KHOMEINI AS A VICTORY ENABLING HIM TO CONSIDER A NEGOTIATED SETTLEMENT. BUT I DOUBT IT. WE HAVE, HOWEVER MENTIONED THE ABOVE IDEA INFORMALLY TO MCHENRY, WHO REACTED QUITE POSITIVELY.

PARSONS

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SECRET

Iran

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Subject.

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ALSO SENT ON HOT LINE.

10 DOWNING STREET

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THE PRIME MINISTER

PRIME MINISTER'S

10 January 1980

PERSONAL MESSAGE

SERIAL No. T6A/80

Dear Mr. President,

Thank you for your letter of 8 January. I much value your comments on the role that we here have been able to play so far in seeking the release of the hostages.

We faced a difficult decision when BP and Shell sought guidance about the purchase of Iranian oil. Ambassador Brewster was informed on 21 December of our readiness, as part of effective and concerted OECD and IEA arrangements, to advise British oil companies to continue to reject Iranian attempts to sell oil at prices sharply different from those asked by other OPEC countries. There was no definition then of what "sharply different" meant. We learnt only later of your hopes that the price could be held to \$28.50 .

We would have liked to have asked BP and Shell to hold off until the proposed meeting on 3 January. But it was uncertain whether the meeting would take place and the companies feared that delay would endanger conclusion of contracts even on the terms then offered. We concluded that a price of \$30 was not "sharply different" from the price of other OPEC producers. We took into account the fact that a number of companies had been reported as

/already

already accepting contracts with Iran at \$30 or above and that many companies, including US companies, were buying significant quantities of Libyan oil at prices in excess of \$34 per barrel.

We are supporting to the utmost the attempt to get your Resolution on Mandatory Sanctions through the Security Council. This is part of our general determination to support in whatever way we can your efforts to secure the release of the hostages. But it is possible that we shall fail to secure the passage of the Resolution. If this happens, I think it will be important for our people to discuss together the next steps in the light of the circumstances then prevailing.

On the one hand there is the point, of which you are already aware, that in the absence of a UN Resolution there will be substantial difficulties for Britain (as for many of our Western partners) in seeking to apply on a voluntary basis the sanctions spelled out in the Resolution. On the other hand, there is the radical change in the general situation created by the Soviet invasion of Afghanistan. I would hope that the Soviet action will in due course lead the Iranian authorities and people to a more accurate realisation of where their true interests lie.

The State Department tell us that Dick Cooper plans to fly to Europe at the weekend to discuss the economic aspects of the Iranian situation. It would be very helpful if he could be accompanied by colleagues able to discuss the entire range of possible measures which might help towards the release of the hostages. If it would be easier for you, we should be glad for

/the discussions

the discussions to take place in Washington. Our Ambassador is fully briefed and we could, if necessary, send someone over from London to back him up.

I hope that we can continue to keep in the closest touch at this difficult time.

Warm personal regards.

Yours

Roosevelt

The President of the United States of America

24
PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T6A/80.

CAB/WTE 001/10 JAN 80

OO THE WHITE HOUSE

GRS 500

~~SECRET~~

FROM 10 DOWNING STREET 101952Z 0094 0102000
TO THE WHITE HOUSE

DEAR MR PRESIDENT,

THANK YOU FOR YOUR LETTER OF 8 JANUARY. I MUCH VALUE YOUR COMMENTS ON THE ROLE THAT WE HERE HAVE BEEN ABLE TO PLAY SO FAR IN SEEKING THE RELEASE OF THE HOSTAGES.

WE FACED A DIFFICULT DECISION WHEN BP AND SHELL SOUGHT GUIDANCE ABOUT THE PURCHASE OF IRANIAN OIL. AMBASSADOR BREWSTER WAS INFORMED ON 21 DECEMBER OF OUR READINESS, AS PART OF EFFECTIVE AND CONCERTED OECD AND IEA ARRANGEMENTS, TO ADVISE BRITISH OIL COMPANIES TO CONTINUE TO REJECT IRANIAN ATTEMPTS TO SELL OIL AT PRICES SHARPLY DIFFERENT FROM THOSE ASKED BY OTHER OPEC COUNTRIES. THERE WAS NO DEFINITION THEN OF WHAT +SHARPLY DIFFERENT+ MEANT. WE LEARNT ONLY LATER OF YOUR HOPES THAT THE PRICE COULD BE HELD TO TWENTYEIGHT DOLLARS FIFTY CENTS.

WE WOULD HAVE LIKED TO HAVE ASKED BP AND SHELL TO HOLD OFF UNTIL THE PROPOSED MEETING ON 3 JANUARY. BUT IT WAS UNCERTAIN WHETHER THE MEETING WOULD TAKE PLACE AND THE COMPANIES FEARED THAT DELAY WOULD ENDANGER CONCLUSION OF CONTRACTS EVEN ON THE TERMS THEN OFFERED. WE CONCLUDED THAT A PRICE OF THIRTY DOLLARS WAS NOT +SHARPLY DIFFERENT+ FROM THE PRICE OF OTHER OPEC PRODUCERS. WE TOOK INTO ACCOUNT THE FACT THAT A NUMBER OF COMPANIES HAD BEEN REPORTED AS ALREADY ACCEPTING CONTRACTS WITH IRAN AT THIRTY DOLLARS OR ABOVE AND THAT MANY COMPANIES, INCLUDING U.S. COMPANIES, WERE BUYING SIGNIFICANT QUANTITIES OF LIBYAN OIL AT PRICES IN EXCESS OF THIRTYFOUR DOLLARS PER BARREL.

WE ARE SUPPORTING TO THE UTMOST THE ATTEMPT TO GET YOUR RESOLUTION ON MANDATORY SANCTIONS THROUGH THE SECURITY COUNCIL. THIS IS PART OF OUR GENERAL DETERMINATION TO SUPPORT, IN WHATEVER WAY WE CAN, YOUR EFFORTS TO SECURE THE RELEASE OF THE HOSTAGES. BUT IT IS POSSIBLE THAT WE SHALL FAIL TO SECURE THE PASSAGE OF THE RESOLUTION. IF THIS HAPPENS, I THINK IT WILL BE IMPORTANT FOR OUR PEOPLE TO DISCUSS TOGETHER THE NEXT STEPS IN THE LIGHT OF THE CIRCUMSTANCES THEN PREVAILING.

ON THE ONE HAND THERE IS THE POINT, OF WHICH YOU ARE ALREADY AWARE, THAT IN THE ABSENCE OF A U.N. RESOLUTION THERE WILL BE SUBSTANTIAL DIFFICULTIES FOR BRITAIN (AS FOR MANY OF OUR WESTERN PARTNERS) IN SEEKING TO APPLY ON A VOLUNTARY BASIS THE SANCTIONS SPELLED OUT IN THE RESOLUTION. ON THE OTHER HAND, THERE IS THE RADICAL CHANGE IN THE GENERAL SITUATION CREATED BY THE SOVIET INVASION OF AFGHANISTAN. I WOULD HOPE THAT THE SOVIET ACTION WILL IN DUE COURSE LEAD THE IRANIAN AUTHORITIES AND PEOPLE TO A MORE ACCURATE REALISATION OF WHERE THEIR TRUE INTERESTS LIE.

THE STATE DEPARTMENT TELL US THAT DICK COOPER PLANS TO FLY TO EUROPE AT THE WEEKEND TO DISCUSS THE ECONOMIC ASPECTS OF THE IRANIAN SITUATION. IT WOULD BE VERY HELPFUL IF HE COULD BE ACCOMPANIED BY COLLEAGUES ABLE TO DISCUSS THE ENTIRE RANGE OF POSSIBLE MEASURES WHICH MIGHT HELP TOWARDS THE RELEASE OF THE HOSTAGES. IF IT WOULD BE EASIER FOR YOU, WE SHOULD BE GLAD FOR THE DISCUSSIONS TO TAKE PLACE IN WASHINGTON. OUR AMBASSADOR IS FULLY BRIEFED AND WE COULD, IF NECESSARY, SEND SOMEONE OVER FROM LONDON TO BACK HIM UP.

I HOPE THAT WE CAN CONTINUE TO KEEP IN THE CLOSEST TOUCH AT THIS DIFFICULT TIME.

WARM PERSONAL REGARDS,

YOURS EVER,

MARGARET.

NNNN

SENT AT 2040Z/10 BY KRW



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cc D/N
Tsy
CO

10 DOWNING STREET

From the Private Secretary

10 January 1980

IRAN

As you know, the Prime Minister was not happy with the draft message to President Carter enclosed with your letter to me of 9 January on this subject. She thought it was rather too long and that the expressions of support were too qualified.

I enclose the top copy of the message in the form in which the Prime Minister approved it. The text has been sent to the White House this evening on the Hot Line. I should be grateful if you could arrange for the signed copy to be delivered in Washington. You may think that it would be a courtesy to let Ambassador Brewster have a copy also.

I am sending copies of this letter, and its enclosure, to Denis Walker (Department of Energy), Tony Battishill (HM Treasury) and Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

R.M.J. Lyne, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London S.W.1

10 January 1980

(2)

Prime Minister

You queried the claim made by Mr Vance (in a telephone conversation with Lord Lamington on 28 December) that some Iranian industries were suffering from 75% shortages.

Dear Michael,

Lyne 10/1

Iran : Shortages in Industry

You referred in your letter of 31 December to the Prime Minister's interest in those Iranian industries now suffering from shortages.

Mr Vance's figure

No authoritative figures exist to give an accurate picture of the state of Iranian industry or to substantiate a general figure of 75% industrial shortages. There have been shortages in some industries because of difficulties in importing machinery spare parts, particularly the car assembly plants. The plants assembling Japanese and British (Talbot) cars have recently been running at about half their full capacity. There have been periodic shortages in the availability of automotive spare parts, and of some raw materials derived from oil which are used in the paper and textile industries. There are also reports that steel production has seriously declined.

In general, Iranian industry has been more affected by widespread industrial stagnation than by shortages of specific supplies or raw materials. This has been caused by lack of business confidence, capital investment or effective management (caused by the flight of many industrial managers overseas), by customs strikes, by banking and administrative difficulties, and by the wages demands or interference in management of militant industrial workers or their representatives in "revolutionary committees". So far as we can tell, this general economic run-down is primarily responsible for shortages in the Iranian economy rather than any specific measures derived from recent events such as, for example, the economic freeze imposed by the Americans since December.

*Yours ever
Roderic Lyne*

(R M J Lyne)
Private Office

M O'D B Alexander Esq
10 Downing Street

Foreign and Commonwealth Office

London S.W.1



110 JAN 1880



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Ps/Mr Lucas

ADVANCE COPIES

Mr Baker

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Lord G. Hammond
Mr Coetzee
Mr Ericsson

CR 530

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FM ANKARA 092120Z JAN 80.

TO IMMEDIATE FCO

TELEGRAM NUMBER 48 OF 09 JANUARY 1980.

INFO IMMEDIATE ALL NATO POSTS, MOSCOW, TEHRAN, JEDDAH, ISLAMABAD, NEW DELHI, MUSCAT, UDKEL NATO, UKMIS NEW YORK.

FOLLOWING FROM SECRETARY OF STATE

AFGHANISTAN AND IRAN

1. I DISCUSSED THE SITUATION IN AFGHANISTAN AND IRAN WITH THE TURKISH FOREIGN MINISTER THIS AFTERNOON. WE ARE CONTINUING OUR DISCUSSIONS TOMORROW MORNING. THE FOLLOWING ARE THE MAIN POINTS TO EMERGE SO FAR.

2. IRAN

SENATOR ERKMEN DOUBTED THE EFFICACY OF ECONOMIC SANCTIONS. THE TURKS HAD TRIED TO INFLUENCE THE IRANIANS AT THE GOVERNMENTAL LEVEL.

[Handwritten signature/initials]

TURKS HAD TRIED TO INFLUENCE THE IRANIANS AT THE GOVERNMENTAL LEVEL OVER THE RELEASE OF THE HOSTAGES AND HAD ACHIEVED SOME DEGREE OF UNDERSTANDING, BUT THIS HAD HAD NO EFFECT ON KHOMEINI OR THE STUDENTS. NOW THAT WALDHEIM'S MISSION HAD FAILED, IT SEEMED NECESSARY TO TRY AN ALTERNATIVE APPROACH. ONE POSSIBILITY MIGHT BE TO SEEK TO INFLUENCE KHOMEINI THROUGH SOME APPROACH FROM THE NON-ALIGNED. IT WAS IMPORTANT, IN THE LIGHT OF THE SOVIET INTERVENTION IN AFGHANISTAN, TO PRESERVE IRAN'S TERRITORIAL AND POLITICAL INTEGRITY, AND TO SEEK TO 'BRING IT BACK INTO THE SYSTEM'. THE DISINTEGRATION OF IRAN WOULD HAVE SERIOUS CONSEQUENCES AND WOULD JEOPARDISE WESTERN INTERESTS. THE RUSSIANS WERE ACTIVE IN SUPPORT OF SECESSIONIST TRENDS IN IRAN AMONGST THE AZERBAIJANIS AND KURDS. ALTHOUGH SECESSIONISM HAD NO SIGNIFICANT PUBLIC SUPPORT IN TURKEY, SUCH TRENDS IN A NEIGHBOURING COUNTRY WERE DISTURBING FOR HER.

3. I SAID THAT I TOO PERSONALLY DOUBTED WHETHER ECONOMIC SANCTIONS IF APPLIED AGAINST IRAN WOULD HELP SECURE THE EARLY RELEASE OF THE HOSTAGES. NONETHELESS, THE UNITED STATES NOW SEEMED COMMITTED TO SEEKING TO ACHIEVE SANCTIONS IN THE SECURITY COUNCIL, EVEN IF SUCH AN ATTEMPT FAILED TO SECURE NINE AFFIRMATIVE VOTES OR PROVOKED A SOVIET VETO. (ERKMEN COMMENTED THAT THE SOVIET UNION MIGHT WELL GAIN KUDOS FROM SUCH A VETO). MOREOVER, IT WAS KHOMEINI'S OWN POLICIES WHICH WERE CAUSING THE DISINTEGRATION IN IRAN.

4. AFGHANISTAN

ERKMEN SHARED OUR ANALYSIS OF THE SOVIET INTERVENTION WHICH HE THOUGHT SHOULD HAVE BEEN FORESEEN BY THE WEST. HE THOUGHT THAT THE MOST EFFECTIVE DETERRENT AGAINST ANY SIMILAR SOVIET ACTION IN THE FUTURE WAS THE STRENGTHENING OF THE REGIONAL COUNTRIES WHICH MIGHT BE THREATENED, PARTICULARLY PAKISTAN AND TURKEY, BY ECONOMIC AND MILITARY ASSISTANCE. HE SEEMED DOUBTFUL ABOUT THE NEED FOR RETALIATORY MEASURES DIRECTED AT THE SOVIET UNION. I COMMENTED THAT ALTHOUGH SUPPORT FOR THE REGIONAL COUNTRIES WAS ESSENTIAL, AND WAS THE IMMEDIATE CAUSE OF MY PRESENT VISIT, I THOUGHT IT INCONCEIVABLE THAT THE WEST SHOULD BEHAVE VIS-A-VIS THE SOVIET UNION AS THOUGH NOTHING HAD HAPPENED. SOME CONCRETE MEASURES WERE NECESSARY AS WELL, FOR EXAMPLE THE SUSPENSION OF GRAIN SUPPLIES, RESTRICTIONS ON THE SUPPLY OF TECHNOLOGY AND THE PROVISION OF CREDIT, OR, THOUGH THIS WOULD BE THE MOST DIFFICULT TO ACHIEVE, THE BOYCOTTING OF THE OLYMPIC GAMES.

DODSON

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FM TEHRAN 090730Z JAN

TO PRIORITY FCO

TELEGRAM NUMBER 32 OF 9 JAN 80

INFO PRIORITY WASHINGTON.

MY TEL NO 28 (PARA 3) : US CHARGE.

1. THE DECISION BY QOTBZADEH TO REFER TO KHOMEINI THE "STUDENTS" DEMAND FOR LAINGEN TO BE HANDED OVER FOR INTERROGATION COULD BE A SIGNIFICANT TURNING POINT. IF KHOMEINI REJECTS IT, EITHER EXPLICITLY OR EVEN BY SILENCE, AS SEEMS INCREASINGLY LIKELY, HE WILL, I THINK FOR THE FIRST TIME, HAVE TAKEN A CLEAR STAND AGAINST THE "STUDENTS" AND BY IMPLICATION AGAINST THE PROPOSITION THAT LAINGEN HAD FORFEITED HIS DIPLOMATIC IMMUNITY BY HIS "SPYING ACTIVITIES" (BY EXTENSION THIS OUGHT TO INCLUDE THE REST OF THE US EMBASSY STAFF).
2. THE STUDENTS TWO DAYS AGO FIRED A FURTHER SHOT IN THIS BATTLE IN A STATEMENT IN WHICH THEY COMPLAINED THAT LAINGEN WAS STILL BEING ALLOWED TO CARRY ON HIS SPYING ACTIVITIES AND TO COMMUNICATE, USING THE IRANIAN FOREIGN MINISTRY'S EQUIPMENT, "BOUGHT FROM PUBLIC FUNDS". "IT SEEMS THAT LAINGEN HAS COMFORTABLY MOVED HIS SPYING HEADQUARTERS FROM THE US EMBASSY TO THE FOREIGN MINISTRY".
3. THIS STATEMENT WAS HUNG ON A STATEMENT ATTRIBUTED TO HODDING CARTER, ALLEGEDLY REPEATING LAINGEN'S VIEWS ABOUT HIS OWN POSITION CONVEYED TO THE STATE DEPARTMENT BY TELEPHONE. AS SEEN FROM HERE, IT WOULD BE PRUDENT TO AVOID ANY MENTION OF CONTACT WITH LAINGEN.

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FM TEHRAN 090500Z JAN

TO IMMEDIATE FCO (DESKBY 090900Z)

TELEGRAM NUMBER 31 OF 9 JANUARY 80

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NEW DELHI AND EEC POSTS.

Prime Minister ②

9.1.80

MM

MY TEL NO 20 : SITUATION IN IRAN.

1. DEMONSTRATORS ON 7 JANUARY SET ON FIRE THE HEADQUARTERS OF THE REVOLUTIONARY GUARDS IN TABRIZ, AND THERE ARE REPORTS FROM THERE OF CONTINUED VIOLENCE AND DEATHS, THE CLOSURE OF THE BAZAAR AND SHOPS, AND OF A 2,000 STRONG DEMONSTRATION ON 5 JANUARY IN SUPPORT OF BAKHTIAR (THOUGH THIS MAY HAVE BEEN A DIFFERENT BAKHTIAR, A VICTIM OF EARLIER RIOTING). FURTHER LARGE DEMONSTRATIONS TOOK PLACE YESTERDAY.

2. THE GOVERNOR GENERAL OF WEST AZERBAIJAN CALLED ON SHARIAT MADARI IN QOM ON 7 JAN, PRESUMABLY TO ELICIT A CALL FOR CALM OR A FURTHER REPUDIATION OF THE MPRP (SEE TUR). SHARIAT MADARI HOWEVER IS REPORTED MERELY TO HAVE EXPRESSED CONCERN AND REGRET AT THE DIFFERENCES AMONG MOSLEMS AND THE PEOPLES OF IRAN, FROM WHICH ONLY THE ENEMIES OF ISLAM WOULD BENEFIT. HE HAD ON 4 JANUARY REJECTED THE QOM ELMIEH CIRCLE AND OFFICIAL NEWS AGENCY'S STATEMENT (MY TUR) THAT HIS SUPPORTERS HAD STARTED THE FIGHTING IN QOM, AND IT HAS BEEN ANNOUNCED THAT TRAVELLERS TO QOM WILL BE CHECKED ON THE ROADS WHICH HAS PROVOKED A STERN AND ANGRY REJOINDER FROM THE ELMIEH CIRCLE.

3. NOR HAVE OFFICIAL ATTEMPTS TO BRING CALM TO OTHER AREAS OF THE COUNTRY SUCCEEDED. WHEN DR BAHONAR APPEARED TO HAVE SETTLED THE DISPUTE BETWEEN THE KOMITEHS AND REVOLUTIONARY GUARDS IN ISFAHAN A SENIOR MEMBER OF THE KOMITEH, WAS ASSASSINATED, AND IT IS NOT KNOWN WHETHER THIS WILL AFFECT THE

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/ AGREEMENT

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AGREEMENT (SEE TUR). DESPITE DR YAZDI'S RECENT VISIT TO ZAHEDAN, TWO REVOLUTIONARY GUARDS AND TWO SOLDIERS WERE KILLED YESTERDAY BY 'INSURGENTS' ON THE READS LINKING TOWNS IN SISTAN AND BALUCHISTAN.

4. DR YAZDI IS NOW REPORTED TO HAVE ARRIVED IN BANDAR LENGEH (SEE TUR) AS KHOMEINI'S PERSONAL REPRESENTATIVE AND IS TO MEET SUNNI AND SHIA LEADERS THERE. KHOMEINI'S PERMANENT REPRESENTATIVE IN THE TOWN HAS PUT THE NUMBER OF DEAD AT 40, WITH 160 INJURED. SHOOTING PERSISTED ON 7 JAN DESPITE POLICE AND REVOLUTIONARY GUARD PATROLS. IN SEVERAL OTHER TOWNS IN THE AREA THE BAZAARS AND SCHOOLS HAVE SHUT, APPARENTLY IN MOURNING. SHAKH HOSSEINI, THE KURDISH LEADER, HAS ISSUED AN APPEAL FOR PEACE BETWEEN SUNNI AND SHIA BUT IN WORDS CALCULATED TO FEED THE SUSPICIONS OF THE FORMER.

5. IN RESPONSE TO THE KURDISH RELIGIOUS LEADER HOSSEINI'S CALL FOR DEMONSTRATIONS IN SUPPORT OF DEMANDS THAT THE REVOLUTIONARY GUARDS LEAVE THE AREA (SEE TUR) OFFICES, SCHOOLS AND BAZAARS WERE CLOSED THROUGHOUT KURDESTAN AND THE SANANDAJ SIT-IN CONTINUES. HOSSEINI, ADDRESSING A LARGE MEETING ON 6 JANUARY, IN MAHABAD, CRITICISED THE GOVERNMENT GOODWILL DELEGATION, STRESSED THE KURDS' DESIRE FOR A PEACEFUL SETTLEMENT, AND CALLED ON KHOMEINI TO TAKE DECISIONS ON KURDESTAN HIMSELF. REPRESENTATIVES OF THE LEFT WING FEDAYANE KHALQ AND KOMALA (TOILERS) ALSO SPOKE. FORUHAR HAS SAID THE GOVERNMENT GOODWILL DELEGATION'S PROPOSALS FOR A SETTLEMENT ARE VERY LIKE THOSE THE KURDS SUBMITTED TO KHOMEINI LAST APRIL, BUT ANOTHER MEMBER OF THE DELEGATION, SABBAGHIAN, REMOVED ANY CHANCE OF AN AGREEMENT WHEN HE SAID AFTER A MEETING OF THE REVOLUTIONARY COUNCIL (RC) ON 6 JANUARY THAT THE REVOLUTIONARY GUARDS WOULD NOT LEAVE SANANDAJ (LET ALONE THE REGION) UNTIL 'A SECURITY ACCEPTABLE TO THE GOVERNMENT IS ESTABLISHED THERE'. SHAH-VEISSI, THE GOVERNOR GENERAL OF KURDESTAN, ON 6 JANUARY TENDERED HIS RESIGNATION (WHICH THE RC REJECTED) AND JOINED THE DEMONSTRATORS, IN REACTION TO THE GOVERNMENT'S REPUDIATION OF THE AGREEMENT HE HAD REACHED LOCALLY WITH THE KURDS AND INSISTENCE

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THAT ARMED KDP MEMBERS SHOULD LEAVE THE TOWN BEFORE THE REVOLUTIONARY GUARDS. HOSSEINI HAS ALSO APPEALED TO REPRESENTATIVES OF THE WORLD LIBERATION MOVEMENTS MEETING IN TEHRAN (MY TELNO 30) TO PAY ATTENTION TO THE PROBLEMS OF KURDESTAN. THE RADIO TO-DAY REPORTS THE CAPTURE BY THE KURDS OF A COMPANY OF POLICE ENROUTE TO MAHABAD BUT WE HAVE NO DETAILS.

6. THE OFFICIAL NEWS AGENCY NOW REPORTS THAT 35 "IRAQI INTRUDERS" WERE KILLED AND 50 WOUNDED AND CAPTURED IN THE INCIDENT AT QASRE SHIRIN ON 5 JANUARY (MY TUR). THE LOCAL GENDARMERIE COMMANDER HAS CLAIMED 1,700 RAIDERS WERE INVOLVED IN WHAT APPEARS TO HAVE BEEN A SEPARATE INCIDENT ON 2 JANUARY. NO EVIDENCE HAS BEEN PRODUCED IN EITHER CASE.
7. THE MINISTER OF NATIONAL GUIDANCE, MINACHI, APPEARS TO HAVE GONE BACK ON A MINISTRY STATEMENT OF 5 JANUARY THAT AMERICAN, BRITISH AND WEST GERMAN NEWSMEN MIGHT BE "ASKED" TO LEAVE (MY TELNO 22 NOT TO ALL). MINACHI SAID LAST NIGHT THAT FOREIGN JOURNALISTS SHOULD PRESENT THEMSELVES TO IRANIAN EMBASSIES ABROAD, WHO WOULD ISSUE THEM VISAS: THEY SHOULD NOT DESCRIBE THEMSELVES AS TOURISTS IN THE HOPE OF SLIPPING INTO IRAN. FOREIGN AGENCIES AND NEWSPAPERS WOULD HOWEVER BE ASKED TO REPLACE CORRESPONDENTS WHOSE REPORTS WERE FOUND TO BE FALSE.
8. A DELEGATION OF DISSIDENT PANAMANIAN STUDENTS VISITED THE US EMBASSY HERE YESTERDAY AND SUPPORTED IRANIAN DEMANDS FOR THE EXTRADITION OF THE SHAH. A MINISTRY OF FOREIGN AFFAIRS STATEMENT ON 4 JANUARY THAT THE PANAMANIAN GOVERNMENT, IN RESPONSE TO DEMANDS FROM QOTBZADEH HAD ANNOUNCED ITS READINESS TO CONSIDER THE EXTRADITION OF THE SHAH TO IRAN AND HAD ASKED THE IRANIAN GOVERNMENT TO SEND DOCUMENTS IN SUPPORT OF HIS "CRIMINAL ACTS" FOR STUDY BY PANAMA'S SUPREME COURT, HAS RECEIVED WIDE COVERAGE HERE.
9. AMID QUARRELLING OVER THE ALLOCATION OF RADIO AND TV TIME, A NUMBER OF THE ORIGINAL 106 APPROVED CANDIDATES HAVE DROPPED OUT OF THE RACE FOR THE PRESIDENCY. QOTBZADEH HAS ADMITTED PRIVATELY THAT HE HAS NO CHANCE OF SUCCESS BUT IS

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STANDING NONETHELESS, AND THE THREE FAVOURITES ARE NOW BANI SADR, MADANI AND JALALEDDIN FARSI (THE IRP CANDIDATE). DESPITE KHOMEINI'S ORDER THAT NO MULLAH SHOULD STAND (SEEN BY MANY AS BEING AIMED AT BEHESHTI), AYATOLLAH KHALKHALI SAID YESTERDAY THAT IRAN NEEDED A STRAIGHTFORWARD, PRUDENT AND REVOLUTIONARY PRESIDENT, AND THAT HE REMAINED A CANDIDATE, WITH ASPHALTED ROADS, PRESS FREEDOM AND A PURGE OF GOVERNMENT MINISTRIES AMONG HIS DECLARED PRIORITIES. THE MOJAHEDDIN KHALQ HAVE NOMINATED MASSOUD RAJAVI, WHOSE PROGRAMME (IN YESTERDAY'S BAG FOR MED) DOES NOT EXPRESS ADHERENCE TO VELAYATE FAQIH (RULE OF THE THEOLOGIANS) AND WOULD SEEM TO BE INCOMPATIBLE WITH THE NEW CONSTITUTION AND THE CONDITIONS LAID DOWN BY KHOMEINI (REDDAWAY'S LETTER OF 2 JANUARY TO MED).

10. LARGE MARCHES ARE PLANNED FOR TODAY THE 40TH DAY AFTER ASHURA AND THE ANNIVERSARY OF HUGE DEMONSTRATIONS LAST YEAR.
11. THE POLICE YESTERDAY PROVIDED (ON REQUEST) ADDITIONAL PROTECTION TO MEET A VISITATION BY A GROUP OF YOUTHS RECENTLY REFUSED LEAVE TO ENTER AT HEATHROW, WHICH PASSED HARMLESSLY.
12. KHOMEINI'S OFFICE HAVE ANNOUNCED THAT HE WILL MAKE NO APPOINTMENTS UNTIL 27 JANUARY.

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*For
Rmt*

Michael Alexander Esq
Private Secretary to the
Prime Minister
No 10 Downing Street

9 January 1980

Dear Mike,

MESSAGE FROM PRESIDENT CARTER

Thank you for your letter to Bill Burroughs of 8 January. I enclose a text of a reply to President Carter agreed with the Foreign Office, Treasury and Cabinet Office. It follows closely the guidance which was issued immediately after our decision about BP and Shell negotiations.

It has been approved by the Minister of State here, in the absence of the Secretary of State who is in the Middle East.

The draft may appear to end rather abruptly, but I understand that there are paragraphs to be added about Afghanistan to be provided by the Foreign Office.

I am sending copies of this letter and its enclosure to George Walden (Foreign and Commonwealth Office), Tony Battishill (HM Treasury) and Martin Vile (Cabinet Office).

Yours ever,

Denis

DENIS WALKER
PRIVATE SECRETARY

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244

DRAFT REPLY TO PRESIDENT CARTER

Thank you for your letter of 8 January. I appreciate your comments on the role which we have been able to play so far in seeking the release of the hostages.

2. As regards the BP and Shell purchases of Iranian oil we did of course face a difficult decision when the companies sought our guidance. As you know, the Chancellor of the Exchequer told Ambassador Brewster on 21 December that we were prepared in principle to advise British oil companies to continue to reject Iranian attempts to sell oil in 1980 at prices sharply different from those asked by other OPEC countries. But Geoffrey Howe made it clear that we would do so as part of effective and concerted OECD and IEA arrangements. There was no definition of what "sharply different" meant. Only at a later stage did we learn of your hopes that the price could be held to \$28.50.

3. We would have liked to ask BP and Shell to hold off until the proposed 3 January meeting, but there were uncertainties about whether it would take place and the companies feared that delay would endanger conclusion of contracts even on the terms then offered. We concluded that \$30 was not in fact sharply different from the price of other OPEC producers. It was certainly less than other Iranian offers. We had to take account of the fact that a number of companies were reported as already accepting contracts with Iran at \$30 or above and that many companies including US companies were buying significant quantities of Libyan oil at prices in excess of \$34 a barrel. We further took account of the fact that the United States Government was not seeking a ban on Iranian oil exports to countries other than the United States.

DRAFT COPY TO PRESIDENT CARTER

Thank you for your letter of 8 January. I appreciate your comments on the role which we have been able to play so far in securing the release of the hostages.

19 JAN 11 11 23 AM '80

2. As regards the BP and Shell proposals of course there is a difficult decision when the companies suggest our guidance. As you know, the Chancellor of the Exchequer told Ambassador Mawhood on 21 December that we were prepared in principle to advise British oil companies to continue to reject Iranian attempts to sell oil in 1980 at prices sharply different from those asked by other OPEC countries. Our policy however made it clear that we would do so as part of effective and concerted OPEC and IIA arrangements. There was no definition of what "sharply different" meant. Only at a later stage did we learn of your hope that the price could be held to \$20-25.

3. We would have liked to ask BP and Shell to hold off until the proposed 3 January meeting, but there were uncertainties about whether it would take place and the companies feared that delay would reduce their bargaining position even on the terms then offered. We concluded that \$20 was not in fact sharply different from the price of other OPEC producers. It was certainly less than other Iranian offers. We had to take account of the fact that a number of companies were reported as already accepting contracts with Iran at \$10 or above and that many companies including US companies were buying significant quantities of Iranian oil at prices in excess of \$14 a barrel. The further back account of the fact that the United States Government was not seeing a fall in Iranian oil exports to countries other than the United States.

28. 1



Foreign and Commonwealth Office

London S.W.1

9 January 1980

①

Redraft supplied by
had line.
+ f.a. Hunt = 10/1

Prime Minister

Dear Michael,

Iran

This is not a very elegant draft: but we face a potentially very difficult situation in our relations with the US and I think the proposed line is a sensible way of breaking into the problem. Agree text? Hunt 9/1

The Prime Minister wished to send an early reply to the message from President Carter about the price to be paid by British oil companies for Iranian oil.

Mr Hurd has looked at this problem today, and has also been considering the next moves which the Americans seem to be contemplating: see for example Washington telegram No 117 (enclosed). He feels some concern at the course the Americans are embarking on, and suggests that the Prime Minister should take the opportunity of her reply to the President's message to suggest a rather different approach. Having discussed the question with the Lord Privy Seal on the latter's return to London this afternoon, Mr Hurd thinks it desirable to tackle matters in this way because, as is clear from the Washington telegram, the State Department fully understand the difficulties to which we have drawn attention, but are evidently out-gunned by the strong advice being offered to the President, mainly on domestic political grounds, from within the White House.

I enclose a draft reply to the President. This incorporates the draft sent separately to you by the Department of Energy, with whom I have cleared the present version. It has also been cleared with the Treasury.

Copies go to Denis Walker (Energy), Tony Battishill (Treasury) and Martin Vile (Cabinet Office).

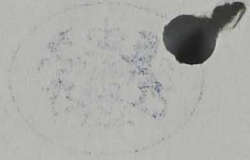
your name
Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

London and ...

London W. 1



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DRAFT REPLY TO PRESIDENT CARTER

Thank you for your letter of 8 January. I appreciate your comments on the role which we have been able to play so far in seeking the release of the hostages. *am grateful for*

As regards the BP and Shell purchases of Iranian oil we ~~face~~^{face} a difficult decision when the companies sought guidance. ~~As you know, the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer~~^{we informed} ~~was informed~~ told Ambassador Brewster on 21 December ~~that we were~~^{of our readiness,} prepared as part of effective and concerted OECD and IEA arrangements, to advise British oil companies to continue to reject Iranian attempts to sell oil at prices sharply different from those asked by other OPEC countries.

There was no definition of what 'sharply different' meant, ~~and only later did we learn~~^{we learn later} of your hopes that the price could be held to \$28-50. We would have liked to ask BP and Shell to hold off until the proposed 3 January meeting, ~~but~~^{the meeting} it was uncertain whether ~~it~~ would take place and the companies feared that delay would endanger conclusion of contracts even on the terms then offered. We concluded that \$30 was not 'sharply different' from the price of other OPEC producers. We took account of the fact that a number of companies were reported as already accepting contracts with Iran at \$30 or above and that many companies, including US companies, were buying significant quantities of Libyan oil at prices in excess of \$34 a barrel. *with - Libyan = 34\$
New + a.k = 20\$*

We shall ~~of course~~ support to the hilt the attempt to get your resolution on mandatory sanctions through the Security Council. ~~However, it seems~~^{But} possible that this resolution ~~may fail,~~^{may fail,} as a result of ~~a Russian Soviet~~^{/a Russian Soviet}

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^{in that event}
 a Soviet veto, if for no other reason. We would hope to discuss the next steps with you, in the light of the latest situation in Iran itself and of the important new factor represented by the Soviet intervention in Afghanistan. ~~It seems to me that~~ This ruthless invasion ought in due course to contribute to a greater realisation by the Iranian authorities and people about where their true interests, and true enemies, lie. I think it very important that any action taken by the West should be calculated to help this process along, and thereby advance the ~~paramount~~ aim of securing the release of the hostages.

The strong measures which you have announced in relation to the invasion of Afghanistan, which we have publicly welcomed ~~in that context~~, may perhaps help to create a short breathing space in which to work out the most appropriate steps to take as regards Iran in the new circumstances. As you know, if the UN Resolution fails, there would be very substantial difficulties for Britain (as well as for many of our Western partners) in seeking to apply on a voluntary basis the sanctions contained in it. ~~For instance,~~

~~for instance,~~
 the enactment of a trade embargo would be a matter for the EEC as a whole.

The State Department tell us that Dick Cooper plans to fly to Europe at the weekend to go into all these economic problems with us and other European governments concerned. If this is correct, my strong preference ~~is~~ ^{would be}

/that he

that he should be accompanied by colleagues able to discuss the Iranian situation as a whole, including the entire range of possible measures which might help towards the release of the hostages. Besides the measures that have already been considered in the UN context, there are others that have been suggested from time to time. For example would it perhaps be easier to think of a food embargo against Iran now that you are banning grain exports to the Soviet Union? Equally, it would be useful to discuss what ^{Kind of} diplomatic ^{activity} ~~efforts of various kinds~~, including the possible mobilisation of Islamic or other intermediaries, might be effective. I feel sure you must have considered a range of options. ~~of this kind~~. We would be very interested to know your conclusions and, in particular, what we and others in Europe might be able to do to help in this field.

If ^{it} ~~this~~ would be easier for the American side, we should be glad for such discussions to take place in Washington. Our Ambassador is fully briefed, and if necessary we could send someone over from London to back him up.

In making these suggestions I want you to know that my purpose, as it has been all along, is to help you to the utmost. ~~in the very difficult situation in which you find yourself as a result of the outrageous behaviour of the various groups and individuals who claim to exercise authority in Iran.~~ My concerns are two: to avoid the difficulties which would confront us if we attempted to implement sanctions with no UN resolution to back them; and to take the fresh and wider

/look

SECRET

look at the Iranian problem which seems urgently required
as a result of events in Afghanistan.

NOTHING TO BE WRITTEN IN THIS MARGIN



Prime Minister ①

s. P. C. D. 9.1.80

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

9th January, 1980

Dear Michael,

IRAN: MESSAGE FROM PRESIDENT CARTER

We have seen and agreed the draft reply to President Carter's message enclosed with Denis Walker's letter to you today.

The reply does not refer to what President Carter says in his second paragraph about withdrawing banking deposits. We think this is right. It is true that some British banks do face a problem. As the Prime Minister knows, those holding time deposits for Iran received telexes just before Christmas asking them to transfer the funds to other banks in Paris and elsewhere. The British banks resisted this on the grounds that the deposit contracts had not matured. But the telexes from Iran have not been withdrawn and the first large deposit matures next Monday, 14th January. The relevant bank's legal advisers are doubtful whether the bank would be on sound legal grounds in offsetting the deposit against claims on Iran, since depositor and lender would not necessarily be one and the same. Even more importantly, a deposit made in London is a contract under English law and should be paid when due. Failure to pay it would not only have legal repercussions, but would cause grave concern to other foreign depositors with British banks. So far the confidence of other OPEC countries has been maintained, but it is a very delicate matter.

The Prime Minister will recall that over the last few weeks we have been resisting American attempts to put, first into the voluntary measures and next into the draft resolution for the United National Security Council, a provision that would oblige British banks to enforce any rights that they might have in loan agreements once the Iranians were technically in default whether they judged it to be in their commercial interest or not. Although this

/issue

M. Alexander, Esq.,
Private Secretary,
10, Downing Street



issue is not directly relevant to the problem faced by the bank referred to in paragraph 2 above, it would be better for the Prime Minister to avoid any comment on the banking aspect in her reply in view of the delicacy of our relationships with the United States authorities over the banking issues in general and the genuine difficulties confronted by British banks at the present time. The second paragraph of President Carter's message is not phrased in such a way as to require a reply.

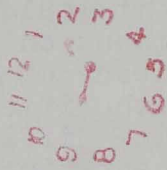
I am sending copies of this letter to the Private Secretaries to the Foreign and Commonwealth Secretary, the Secretary of State for Energy, the Governor of the Bank of England and the Secretary to the Cabinet.

Yours ever,

A.M.W. Battishill

(A.M.W. BATTISHILL)

APR 61 11 11 6-



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PS/MR HURD
PS/PUS
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MR J C MOBERLY
LORD BRIDGES
MR EVANS
MISS BROWN
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HD/FRD
HD/WENAD
HD/UND (2)
HD/OID (2)
HD/DEF DEPT
HD/N AM D
HD/ES & SD (2)
HD/PUSD (2)
HD/NEWS DEPT
HD/COD
HD/CONS DEPT
RESIDENT CLERK

Lord R G Hume

ADVANCE COPY

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ASSESSMENTS STAFF)
MR R WADE GERY) CABINET
MR LE CHEMINANT) OFFICE
MR P G FOWLER R 217)
DIO)

PS/CHANCELLOR)
MR F R BARRATT) TREASURY
MR D J S HANCOCK)

MR C W MCMAHON) BANK OF
MR S PAYTON) ENGLAND
Mr R Williams CRES DC
MR W KNIGHTON DEPT OF TRADE
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MR D LE B JONES)
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TO IMMEDIATE FCO
TELEGRAM NUMBER 69 OF 9 JANUARY
INFO IMMEDIATE WASHINGTON PARIS TEHRAN.

MY TELNO 62: US/IRAN

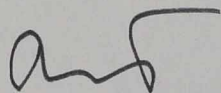
1. THE AMERICANS HAVE BEEN CONTINUING THEIR CONSULTATIONS HERE AND IN CAPITALS. PETREE (US) TOLD US THIS AFTERNOON THAT THEY WERE REASONABLY CONFIDENT OF 8 VOTES: THE 5 WESTERNERS, PHILIPPINES, NIGER AND JAMAICA. THEY WERE WORKING HARD ON CHINA, MEXICO AND, DESPITE WHAT MCHENRY SAID YESTERDAY (PARA 5 OF MY TELEGRAM UNDER REFERENCE), TUNISIA. ZAMBIA WOULD VERY PROBABLY ABSTAIN.

2. THIS EVENING MCHENRY TOLD US THAT SOME OF THE NON-ALIGNED, WERE ASKING FOR A POSTPONEMENT TO ALLOW THEM TO CONTACT THE IRANIAN AUTHORITIES TO PUT THE FOLLOWING PROPOSITION TO THEM. A SANCTIONS

2. THIS EVENING MCHENRY TOLD US THAT SOME OF THE NON-ALIGNED, WERE ASKING FOR A POSTPONEMENT TO ALLOW THEM TO CONTACT THE IRANIAN AUTHORITIES TO PUT THE FOLLOWING PROPOSITION TO THEM. A SANCTIONS RESOLUTION WAS IN THE PIPELINE. THIS SHOULD BE AVOIDED IN EVERYONE'S INTEREST. IF AN INTERNATIONAL COMMISSION TO INVESTIGATE THE MISDEEDS OF THE SHAH'S REGIME COULD BE SET UP, WOULD THEY GIVE A FIRM ASSURANCE THAT THEY WERE PREPARED TO NEGOTIATE SERIOUSLY FOR THE RELEASE OF THE HOSTAGES BEFORE THE COMMISSION STARTED WORK? MCHENRY DOES NOT FEEL THAT THIS PROPOSAL WILL BE ACCEPTABLE TO HIS GOVERNMENT HE IS MEETING WITH THE NON-ALIGNED TOMORROW MORNING AND HAS ARRANGED A MEETING OF THE WESTERN FIVE AFTER THIS. HE STILL EXPECTS TO TABLE THE RESOLUTION TOMORROW AFTERNOON.

PARSONS

NNNN



PART ~~8~~ 3 ends:-

UK Min N. York tel 62 8/1/80

PART 4 begins:-

UK Min N. York tel 69 9/1/80



END