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PREM 19/873

PART 7

MT

SECRET.

Confidential file

UK/Polish Relations
Internal Situation
Economic Assistance

POLAND

Part 1: August 1979

Part 7: Jan 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
23.1.82							
25.1.82							
28.1.82							
29.1.82							
31.1.82							
2.2.82							
3.2.82							
5.2.82							
8.2.82							
- ends -							
PREM 19/873							

PART 7 ends:-

8. 2. 82

PART 8 begins:-

9. 2. 82



Foreign and Commonwealth Office
London SW1

8 February 1982

Dear Peter.

POLAND: SOVIET FACTORY SHIPS

In his letter of 3 February John Coles recorded the agreement we reached at the Prime Minister's meeting on 2 February that, in the context of the package of measures against the Soviet Union, public attention should be drawn to the fact that the Government have introduced a licensing control over fish factory ships, including Soviet ones; but that no actual restrictions should be imposed for the time being and that the possibility of restrictions could be reviewed in the summer.

I fully accept that, as the South-West mackerel fishery is likely to come to an end in the next couple of weeks and the British fishermen there have running contracts, we should not now attempt to revoke the licences which have been granted to any of the Soviet factory ships active in this area. I am however concerned that we should not expose ourselves to embarrassing criticism by the Americans and our own public opinion, that, since the licensing system is applied to all vessels without discrimination, it is hardly a measure 'against' the Soviet Union. I realise that, as the Minch mackerel fishery is unlikely to begin before the end of July, there are no measures we can take against Soviet factory vessels in the immediate future if we exclude the possibility of action during the present South-West mackerel fishery. In my view this makes it all the more necessary to maintain our credibility that we should say now if asked that we intend to use the licensing system to reduce the numbers of Soviet factory vessels.

I accept that the precise restrictions we impose during the Minch mackerel or herring fishery and subsequent fisheries can only be decided nearer the time. A number of factors will naturally have to be taken into account, including the interests of the UK fishing industry and the demands of conservation although not - I suggest - the interests of the Nigerians in buying fish from the Soviet Union. (Surely we should be encouraging our own fish processing industry to embark on such business?) I hope you can agree that what we need now is agreement between our officials

/on the

The Rt Hon Peter Walker MBE MP
MAFF
Whitehall Place
LONDON
SW1

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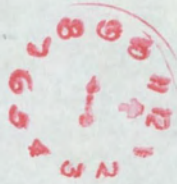
on the way to handle this procedurally and on the line to take in public (and with the Americans), when we are asked what we are actually doing different against Soviet klondykers.

I am copying this letter to the other Ministers present at the Prime Minister's meeting and to the Secretary of State for Scotland.

Yours ever

W. Humphrey

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8 FEB 1982

Poland

GRS 850

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FM WARSAW 081620Z FEB 82

TO IMMEDIATE FCO

TELNO 227 OF 8TH FEBRUARY 1982

AND TO PRIORITY: WASHINGTON, PARIS, BONN, MOSCOW, UKDEL NATO,
UKMIS GENEVA AND UKDEL ZADRID

INFO SAVING: EAST BERLIN, PRAGUE, SOFIA, BELGRADE, BUCHAREST,
BUDAPEST, HELSINKI, STOCKPOLM, UKMIS NEW YORK, UKREP BRUSSELS
AND MODUK.

BRITISH MEASURES AGAINST POLAND.

1. NOWOBYTA, DIRECTOR OF MFA DEPARTMENT IV, SUMMONED ME THIS AFTERNOON TO DELIVER MFA PROTEST AT BRITISH MEASURES AGAINST POLAND ANNOUNCED BY L.P.S. IN THE COMMONS ON 5 FEBRUARY.
2. NOWORYTA BEGAN BY RUNNING THROUGH THE LIST OF MEASURES AS SENT TO THEM FROM LONDON. IT WAS SELECTIVE IN THAT IT GAVE A BIASED ACCOUNT OF SOME MEASURES AND OMITTED OTHERS. HE THEN WENT ON TO SAY THAT THE POLISH AUTHORITIES WERE SURPRISED AND DISAPPOINTED TO FIND THE UNITED KINGDOM ACTING IN THIS UNFRIENDLY WAY. THE MEASURES ANNOUNCED ON FRIDAY WERE AN INTERFERENCE IN POLAND'S INTERNAL AFFAIRS, CLEARLY DICTATED BY NATO. THEY WOULD ALSO HAVE A SERIOUS EFFECT ON THE HUMANITARIAN NEEDS OF THIS COUNTRY. BRITAIN WAS THE FIRST NATO COUNTRY AFTER THE US TO INITIATE SUCH A LIST OF HOSTILE ACTS AND THE MFA WERE SURPRISED THAT HMG HAD DECIDED TO TAKE THIS ACTION AT A TIME WHEN THE POLISH AUTHORITIES WERE PROGRESSIVELY RELAXING THE RESTRICTIONS OF MARTIAL LAW. NOWORYTA SAID THAT HE HAD NO OPTION BUT TO MAKE A VIGOROUS PROTEST AGAINST THESE MEASURES WHICH THREATENED CURRENT AND FUTURE RELATIONS BETWEEN BRITAIN AND POLAND.
3. I BEGAN MY REPLY BY GIVING NOWORYTA THE TEXT OF MR ATKINS' PARLIAMENTARY ANSWER. I POINTED OUT THAT IN HIS PRESENTATION HE HAD OMITTED THE MEASURES AN IV AND THE LATTER HALF OF VIII. I SAID I DID NOT THINK THAT THIS WAS ANY COINCIDENCE, SINCE THESE WERE THE TWO PARTS OF OUR MEASURES WHERE WE ASSERTED OUR CONTINUING WISH TO GIVE HUMANITARIAN AID TO POLAND. I ALSO TOOK EXCEPTION TO HIS DESCRIPTION OF THE INCREASE IN BBC BROADCASTS AS "PROPAGANDA". I THEN CHALLENGED NOWORYTA TO SELECT WHICH OF THE EIGHT MEASURES HE CONSIDERED CONSTITUTED INTERFERENCE IN POLAND'S INTERNAL AFFAIRS. HE TRIED TO DUCK THE QUESTION BY REFERRING TO THE GENERAL NATO CONTEXT IN WHICH THE MEASURES WERE PUT, SAYING THAT THE WHOLE THRUST OF THE LIST WAS A "CONCRETISATION" OF THE NATO DECLARATION OF 11 JANUARY. WHEN I PRESSED HIM AGAIN, HE ADMITTED THAT THERE WAS PERHAPS SOME DIFFERENCE OF INTERPRETATION OVER THE EFFECT OF THE LIST BUT THAT THE FIRST PARAGRAPH OF MR ATKINS' REPLY SHOWED THE AGGRESSIVE ANTI-POLISH NATURE OF OUR ACTIONS.

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4. NOWORYTA THEN SWITCHED HIS ATTACK TO THE ECONOMIC MEASURES IN SUB-PARAGRAPH V, VI AND VII SAYING THAT THESE MEASURES WOULD MAKE PROBLEMS FOR POLISH SOCIETY AND FOR THE ECONOMIC REFORM WHICH POLAND WAS INTENDING TO UNDERTAKE. I POINTED OUT THAT IN EACH OF THE THREE PARAGRAPHS THERE WAS A SPECIFIC PHRASE SHOWING THE PROVISIONAL NATURE OF THE MEASURES TAKEN. WE HAD MADE IT CLEAR IN EARLIER STATEMENTS THAT THESE MEASURES SHOULD BE SEEN AGAINST THE GENERAL BACKGROUND OF THE POLISH AUTHORITIES' INABILITY TO MAKE PROGRESS ON THE THREE MAIN WESTERN DEMANDS. THE SAFEST WAY OF REVERSING THE EFFECT OF THESE PARAGRAPHS WOULD BE TO TAKE CONSTRUCTIVE STEPS TO RESTORE THIS COUNTRY TO NORMAL. NOWORYTA COMMENTED THAT ONCE AGAIN THE WESTERN COUNTRIES AND BRITAIN WERE SHOWING THEIR TRUE COLOURS IN INTERFERING IN POLAND'S DOMESTIC AFFAIRS.

5. NOWORYTA THEN SAID THAT THE IMPOSITION OF TRAVEL RESTRICTIONS ON POLISH DIPLOMATS IN BRITAIN WAS TOTALLY UNJUSTIFIED. THE POLISH AUTHORITIES HAD NOT SHOWN DISCRIMINATION IN IMPOSING TRAVEL RESTRICTIONS ON BRITISH DIPLOMATS HERE WHICH WERE IN ANY CASE PART OF MARTIAL LAW. THEY WERE NOW RELAXING THESE RESTRICTIONS WITH RESTORATION OF TELEX, TELEPHONES AND NOW FURTHER CONCESSIONS ON TRAVEL. IT WAS PARTICULARLY PAINFUL THAT BRITAIN, ONE OF POLAND'S CLOSEST WESTERN FRIENDS, HAD TAKEN THIS UNILATERAL ACTION WHERE NO OTHER COUNTRIES EXCEPT THE U S HAD MOVED. I REPLIED THAT I THOUGHT WE HAD SHOWN GREAT PATIENCE AND TOLERANCE IN WAITING EIGHT WEEKS BEFORE TAKING SUCH ACTION. IT WAS ALSO RELEVANT THAT IN ADDITION TO THE US ADMINISTRATION, THE FRENCH, PORTUGUESE AND ITALIAN GOVERNMENTS HAD ACTED IN SOME WAY AGAINST POLISH DIPLOMATS IN THEIR CAPITALS. I POINTED OUT THAT OUR RESTRICTIONS WERE REVERSIBLE AND COULD BE LIFTED IN DUE COURSE.

6. FINALLY, NOWORYTA TOOK UP THE QUESTION OF EC FOOD. HE SAID THAT THE POLES HAD BEEN LED TO BELIEVE THAT THEY COULD OBTAIN FOOD WORTH DOLLARS 200M FROM THE EC ON SPECIAL TERMS. THEY WERE NOW BEING OFFERED APPROXIMATELY DOLLARS 37M WORTH OF HUMANITARIAN AID THROUGH AGENCIES. THE POLISH PEOPLE WERE EXPECTING MORE FOOD FROM WESTERN EUROPE AND WOULD BE ACCORDINGLY DISAPPOINTED. I SAID THAT I DID NOT THINK POLISH EXPECTATIONS OF DOLLARS 200M WORTH OF FOOD UNDER THE COMMUNITY TRANCHE 3B WERE JUSTIFIED. ONCE AGAIN THE SOLUTION TO THIS PROBLEM SEEMED TO LIE IN POLISH HANDS.

7. NOWORYTA GAVE THE IMPRESSION THAT HIS HEART WAS NOT IN THE PROTEST. WHILE HE HAD BEEN TOLD WHAT TO SAY, HE WAS CLEARLY NOT PREPARED FOR ANY COME-BACK. HE WAS NOT FULLY CONVERSANT WITH DETAILS OF OUR MEASURES. HIS PROTEST THEREFORE FELL FLAT AND HE FLOUNDERED VISIBLY.

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8. I THOUGHT NOWORYTA MIGHT BE PREPARING THE GROUND TO ANNOUNCE SOME COUNTER-MEASURES BUT NONE HAVE YET MATERIALISED. I AM ASSUMING THEREFORE THAT THE LIFTING OF RESTRICTIONS ON DIPLOMATS HERE WHICH HAS NOW BEEN CONFIRMED BY MFA NOTE IN THE TERMS OF MY PARAGRAPH 2 IN MY TELNO 221 WILL APPLY TO ALL OF US.

FCO PLEASE PASS SAVING TO ALL SAVING ADDRESSEES

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PRIME MINISTER

POLAND: URSUS TRACTOR PROJECT

When we considered actions over Poland on 8 January a number of issues were left subject to review at the end of January. One of these was the URSUS project.

The Minister for Trade has now met representatives of Massey-Ferguson-Perkins (MFP) and looked at the problems which withholding credit presents for the company. Following the recent rescue, the group is still financially weak and lost nearly £100m last year; it cannot afford even the current reduced expenditure of over £100,000 each month on the URSUS project without some definite prospect of being paid. But, if the present project team is disbanded, this probably cannot be reconstituted effectively at some future date. Also, withdrawing representatives in Poland would materially add to MFP's risk of becoming liable to claims, possibly in excess of £10m, under contract warranties which would not be extinguished by withdrawal from the project.

From MFP's point of view, the most convenient way out of the present difficulty would be to secure access to the some £7m remaining in a sterling line of credit for the project. These funds are separate from the dollar credit line which would have to be put into operation to finance the bulk of the £30m expenditure which we previously envisaged in 1982. £7m would be enough for MFP to draw a total of £4m for project services, some already due and the balance to be paid to them over the next two years and to supply some £3m worth of tractor components (some of which are already in production here) needed to keep the

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URSUS factory in operation. All of these proposed arrangements would of course have to be agreed by the Poles. Although reports from Warsaw suggest possible difficulties, I believe a rapid agreement to the provision of £7m would be sufficient, and as far as we could now go. None of the money would be at the disposal of the Poles to make new capital investments.

I seek colleagues' agreement that we should not stand in the way of using the £7m balance on the grounds that it is covered by existing contractual commitments and would primarily benefit MFP rather than the Poles. Of course instructing ECGD to proceed in this way involves adding to our credit exposure in Poland. It is possible that, if the funds could be withheld, MFP might be forced to carry on for a while using its own resources. But the group's overall position is such that I doubt whether this would be to the United Kingdom's advantage. We would be acting consistently with our position in the Community and NATO that existing contracts should be honoured.

While on the subject of large projects in Poland, perhaps I might mention that the PVC project, currently being built by a consortium headed by Petrocarbon Developments Limited, raises different issues. These are currently being considered by my Departments.

This minute is copied to those present at your 8 January meeting and to Sir Robert Armstrong. It would be helpful to MFP if we could agree this proposed action by the end of this week.

WJB

Department of Trade
1 Victoria Street
London, SW1H 0ET

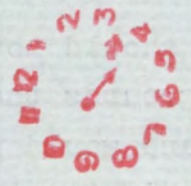
WJB

8 February 1982

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8 FEB 1982



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Foreign and Commonwealth Office

London SW1A 2AH

8 February 1982

Dear John

POLAND : ECONOMIC MEASURES

... At their meeting on 7 January Ministers approved a number of measures towards Poland and agreed to review certain of them at the end of the month. I now enclose a note agreed interdepartmentally by officials covering the points which Ministers said they would wish to consider again. Subject to Ministers' views, officials would be guided by the recommendations in paragraph 12 of the note.

The implications of the continued suspension of negotiations on the rescheduling of Polish debt, although touched on in this paper, are being considered in a separate paper by Treasury officials which will be submitted to Ministers after further interdepartmental consideration.

Announcement of a number of measures against Poland, including economic measures, was made by the Lord Privy Seal in reply to a written question on 5 February.

I am copying this letter to John Kerr (HM Treasury), Robert Lowson (MAFF), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and David Wright (Cabinet Office).

Yours ever

Michael Arthur

M A Arthur
PS/Lord Privy Seal

A J Coles Esq
10 Downing Street

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POLAND: ECONOMIC MEASURES

Note by Officials

INTRODUCTION

1. At their meeting on 7 January to prepare for the North Atlantic Council on 11 January Ministers agreed to review at the end of January their provisional decisions on certain aspects of our economic relations with Poland. This review was to cover the decisions:

a. To work for the postponement for the time being of negotiations for an official rescheduling agreement covering 1982.

b. To suspend for the time being drawings on the outstanding line of credit for the Ursus and PVC factory projects.

c. To suspend for the time being any drawings on the £12 million not yet committed from the lines of medium term credit authorised in 1981.

d. To oppose for the time being any further exports of European Community food to Poland at subsidised prices.

e. Not to provide any fresh credits for Poland.

The following paragraphs review those decisions and make recommendations in respect of them against the background of the commitments made by the Government in the Declaration by the NATO Foreign Ministers on 11 January in which they noted that: 'We and our partners have made it clear to the Poles that there can be no normal economic relationship between our two countries until martial law is lifted, those detained are released, and the Government resumes a genuine dialogue with the Church and Solidarity.'

/RESCHEDULING

RESCHEDULING OF OFFICIAL AND OFFICIALLY GUARANTEED DEBT

2. There is a substantial UK interest in an orderly rescheduling rather than a de facto default. But there are strong political reasons against resuming rescheduling and in accordance with the views of Western Foreign Ministers the Joint Commission scheduled to take place in January was cancelled. Instead officials of the 16 creditor countries met in Paris on 14 January and agreed:

a. that the 1981 rescheduling agreement should not be revoked at this time, although it was recognised that conditions in Poland were now 'exceptional' within the meaning of the clause of the agreed Minute which allows for the suspension without notice of the 1981 agreement in 'exceptional circumstances' (the so-called 'tank clause');

b. that no decision should be taken on the resumption of negotiations on rescheduling for 1982; and that

c. the Poles should be informed by letter of these decisions. (A copy of the letter is attached).

3. At their meeting on 2 February Ministers confirmed the decision taken by the Creditors Group.

However, the consequences of maintaining an indefinite suspension of rescheduling could have serious consequences for the UK and other Western creditors. Ministers will therefore wish to consider the longer term implications of the decision.

4. These consequences, the various options open to the UK, and the costs of each will be set out in a separate paper to be submitted to Ministers soon following further inter-departmental discussion by officials.

URSUS TRACTOR FACTORY

5. URSUS is the major UK project and flag-bearer in Poland. So far £140m of ECGD lines of credit of £275m have been drawn.

In November 1981 Ministers decided that a further £30m should be made available in 1982, this being the sole UK contribution of new credit. The supplementary agreement to put this decision into effect was not signed before the imposition of martial law. Ministers agreed on 7 January that drawings on the outstanding lines of credit for the URSUS factory project should be suspended for the time being.

6. A decision to keep all further credit in suspension might encourage Massey Fergusson to withdraw altogether with possible serious repercussions for future commercial relations with Poland. This would be inconsistent with our overall objective of ensuring that measures taken against Poland can be reversible in the case of an improvement in the internal situation. It would be possible to alleviate this problem and help Massey Fergusson by releasing a credit of some £7m, being the outstanding balance of one credit line. This should enable Massey Fergusson to keep the URSUS project team in being up to 1983; and if further UK participation in the scheme is then still ruled out permit them to withdraw with little or no loss to themselves and on negotiated termination of work rather than an abrupt cessation. Precipitate withdrawal by Massey Fergusson could trigger claims by the Poles that Massey Fergusson were in breach of contract.

PVC FACTORY

7. About £10m - a relatively small amount of the total for this project - remains to be drawn to complete the PVC factory. The project is well-advanced, though the Poles' claim to have the whole factory completed by the end of 1982 was thought over-optimistic, even before recent developments. Further drawings on the line of credit were suspended on 7 January: withdrawal of credits would raise serious doubts as to the Poles' ability to finish the project. The contractors have said that they can continue without new credits only until the end of February. Officials will need to examine this further with Petrocarbon Developments Limited and DOT intend to make recommendations to their Ministers by mid-February. There are existing contractual obligations which should continue to be honoured.

/EXISTING

EXISTING CREDIT

8. Ministers decided to suspend the remaining £12m uncommitted from the £65m Credit offered to the Poles in 1981. There are no grounds to change this decision. It should therefore be confirmed: ECGD will then notify the UK banks concerned with interests in Poland.

EC FOOD

9. Largely at our urging the Foreign Affairs Council on 26 January agreed to suspend such sales and to use the money earmarked for them in the 1982 EC budget wholly or partly for humanitarian assistance through non-governmental organisations.

FRESH CREDITS

10. There are no grounds to reconsider the decision not to provide any fresh credits for Poland. This decision should therefore be confirmed.

Announcement of withdrawal of short-term credit

11. Ministers decided that short-term cover should be withdrawn altogether. In order to avoid premature leakage of decisions, ECGD have been adopting administrative delays in order to withhold further cover. This cannot be continued indefinitely. ECGD now need to inform those concerned of this new position.

RECOMMENDATIONS

12. Subject to regular review by officials who would bring to Ministers' attention any developments which might necessitate a change of policy with regard to the questions set out in paragraph (i) to (vii) below, our policy should be that:-

- i. Formal agreement on the rescheduling of officially guaranteed debt should continue to be held in suspense.

- ii. Drawings on credit for URSUS should remain suspended with the exception of the release of £7m of credit outstanding from the 1974 credit line which may be made available solely to permit Massey Fergusson to maintain their project team and to permit continuation of the project, until such time as a decision on the completion, or otherwise, of the project is taken.

- iii. Drawings on credit for the PVC factory project should remain suspended for the present. DOT Ministers should if they considered it desirable make arrangements comparable to those for URSUS in order to keep the project in being.

- iv. Existing credit lines should remain suspended (£12m).

- v. We should continue to encourage the Commission to bring forward proposals for the allocation of further funds left from the original 35 mecu to provide humanitarian assistance through non-governmental organisations.

- vi. There should be no provision of further medium or long-term official credits.

- vii. The withdrawal of short-term official credit should now be announced.

January 15 1982

Dear Mr Minister

The group of sixteen creditor countries of Poland met on January 14 1982 in Paris to discuss the rescheduling of Poland's official or officially guaranteed debt. The group agreed that events had taken place in Poland indicating exceptional circumstances along the line of what had been envisaged under the IV-3 Clause of the April 27 1981 Agreed Minute. However, the group consider that the Clause as such should not be invoked at this time.

As far as negotiations on the 1982 rescheduling are concerned, a broad consensus among creditor countries is necessary to continue these negotiations. Since there is no such consensus today, it was considered that

these negotiations should not be resumed for the time being. However, I will, as chairman of the group of creditor countries, keep in communication with yourself and my colleagues, to appreciate whether developments are such that negotiations can be resumed. In the meantime, all creditor countries indeed expect Poland to live up to her international financial obligations.

Yours faithfully

8 FEB 1962

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Poland

8 February 1982

Poland

The Prime Minister has noted the contents
of your letter of 5 February.

A J COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office

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TO IMMEDIATE FCO

TELNO 221 OF 6TH FEBRUARY 1982

INFO PRIORITY: MOSCOW, WASHINGTON, UKDEL NATO, PARIS, BONN
AND MODUK

TRAVEL RESTRICTIONS

TODAYS PRESS CARRIES BRIEF PAP ACCOUNT OF MR ATKINS' ANNOUNCEMENT IN COMMONS YESTERDAY. (FRONT PAGE OF ZYCIE WARSZAWY, PAGE 7 IN TRYBUNA LUDU). BRITISH ACTION IS DESCRIBED AS BRUTAL INTERFERENCE IN INTERNAL AFFAIRS OF POLAND AND SOVIET UNION. BRITAIN, THE FIRST NATO COUNTRY TO ACT IN THIS WAY, HAS CLEARLY GIVEN IN TO U.S. PRESSURE.

2. LASZCZ, HEAD OF PROTOCOL IN MFA, TOLD ME YESTERDAY EVENING THAT TRAVEL RESTRICTIONS OF FOREIGN DIPLOMATS HERE WOULD BE LIFTED FROM MONDAY. WE WOULD STILL HAVE TO NOTIFY MFA OF PROPOSED DESTINATION AND ROUTE BUT WOULD BE FREE TO TRAVEL 24 HOURS LATER IF MFA HAD NOT OBJECTED. THIS CONCESSION WOULD APPLY TO ALL DIPLOMATIC STAFF.

3. I WOULD LIKE TO STUDY TERMS OF CIRCULAR NOTE INFORMING US OF THIS CONCESSION (WHICH HAS NOT YET BEEN RECEIVED) AND TO SEE HOW IT WORKS IN PRACTICE BEFORE MAKING ANY RECOMMENDATIONS. I HAVE ASKED DA TO SUBMIT SOME TRAVEL PLANS FOR HIS TEAMS TO FAN OUT EARLY NEXT WEEK.

MELHUIH

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TELEGRAM NO 390 OF 6 FEBRUARY

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WARSAW, BRUSSELSINFO SAVING OTHER NATO POSTS, DUBLIN, UKDEL MADRID, UKDEL VIENNA,
UKMIS GENEVAYOUR TELNO 193: UK MEASURES AGAINST POLAND AND THE SOVIET UNION

1. TODAY'S WASHINGTON POST CARRIES A FRONT-PAGE REPORT FROM LONDON ON OUR MEASURES UNDER THE HEADLINE: QUOTE BRITAIN CURBS TIES WITH SOVIETS, POLES UNQUOTE. BRITISH OFFICIALS ARE QUOTED AS STATING THAT WHILE THE MEASURES ARE NOT REALLY SANCTIONS AS SUCH, THEY ARE A SIGNAL TO THE EAST OF ALLIED DISAPPROVAL AND ARE EXPECTED TO HAVE THE SAME IMPACT AS THE EARLIER ANNOUNCED US ACTIONS. IT IS NOTED THAT THE UK IS THE FIRST EUROPEAN ALLY TO IMPOSE RESTRICTIONS IN THE LIGHT OF EVENTS IN POLAND.

2. AN ACCOUNT OF OUR ACTIONS IS ALSO CARRIED PROMINENTLY IN TODAY'S NEW YORK TIMES.

3. I PASSED TO HAIG AND CLARK YESTERDAY THE TEXTS OF THE LORD PRIVY SEAL'S ANSWER IN THE HOUSE (AS AMENDED BY YOUR TELNO 194), AND WE ARE BRIEFING US OFFICIALS ALONG THE LINES OF YOUR TELEGRAM UNDER REFERENCE. I AM ALSO SENDING THE TEXT OF THE ANSWER TO CONGRESSIONAL LEADERS.

FCO PASS SAVING DUBLIN, UKDEL MADRID, UKDEL VIENNA, UKMIS GENEVA, ANKARA, ATHENS, COPENHAGEN, LISBON, LUXEMBOURG, OTTAWA, OSLO, ROME, REYKJAVIK, THE HAGUE, UKDEL NATO

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16/1/82

Dear Prime Minister,

I would like to thank you sincerely for your endeavours on my behalf. My family and I are very grateful.

Yours sincerely,

G. Miskin

G. MISKIN

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Foreign and Commonwealth Office

London SW1A 2AH

5 February 1982

Prime Minister

A.J.C. 6/2

MS

Dear John,

Poland

In the week since the Prime Minister's meeting with Mr Haig we have had evidence of the impression which that conversation and the subsequent message to President Reagan made upon the American policy towards Poland. American officials have spoken of the timing of the Prime Minister's invitation to Mr Haig appreciatively and of the force of her arguments. That these made a considerable impression on the US Secretary of State personally is clear from Washington telno 332, of which I enclose a copy.

As you know, the United States has not so far proceeded to a second package of unilateral measures against the Soviet Union. We hope that this mood of greater patience in Washington will have been reinforced by the outcome of the meeting of the North Atlantic Council on 3 February, and by the measures which are being announced in London today.

American officials however continue to emphasise to us that, in arguing for a deliberate approach to the Polish crisis and for understanding of the position of the Europeans, Mr Haig and the State Department have few if any allies in the internal debate in Washington. We are taking what action we can to ensure that the points deployed by the Prime Minister are also put across to others in key positions, both by our own and by other European Embassies.

Yours ever,

(F N Richards)
Private Secretary

A J Coles Esq
No 10 Downing Street

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FM WASHINGTON 022346Z FEB 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 332 OF 2 FEBRUARY

INFO UKDEL NATO, MOSCOW, WARSAW, PARIS, BONN, MANILA (FOR PS/S OF S)

SECRETARY HAIG ON POLAND

1. HAIG APPEARED BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE THIS MORNING. THE THEME OF THE HEARING WAS EAST/WEST RELATIONS AND POLAND WAS THE DOMINANT THEME. I REGARD HIS STATEMENT ON THE ALLIES IN PARA 3(A) BELOW AS OF CONSIDERABLE IMPORTANCE. IT WAS DELIVERED WITH GREAT FEELING.

2. IN HIS OPENING STATEMENT, HAIG SAID THAT SOVIET COMPLICITY IN THE POLISH CRISIS, COMING WHILE SOVIET TROOPS OCCUPIED AFGHANISTAN AND MOSCOW'S ARMS FLOODED CUBA, UNDERMINED THE VERY BASIS OF EAST/WEST RELATIONS. THE POLISH CRISIS WAS FAR FROM OVER AND THE POLISH ECONOMY CONTINUED TO DECLINE. IT COULD BE REVIVED ONLY WITH THE CO-OPERATION OF THE POLISH WORKER BUT JARUZELSKI DID NOT SEEM PREPARED TO ANSWER THE VEXING QUESTIONS OF WHEN MARTIAL LAW WOULD BE LIFTED OR HOW NATIONAL RECONCILIATION COULD BEGIN. IN THESE CIRCUMSTANCES, PASSIVE RESISTANCE WOULD PROBABLY INCREASE. THE WEST'S HANDLING OF THE POLISH CRISIS WOULD HAVE FAR-REACHING IMPLICATIONS FOR WESTERN CREDIBILITY. IF THE WEST DID NOT TAKE SERIOUS ACTIONS COMENSURATE WITH ITS CONCERN, THE SOVIET UNION MIGHT BE ENCOURAGED TO TEST WESTERN RESOLVE AT OTHER CRITICAL POINTS IN THE WORLD.

INDIVIDUAL NATIONAL ACTION WAS MUCH MORE MEANINGFUL IN THE CONTEXT OF ALLIED UNITY. FIFTEEN SOVEREIGN NATIONS HAD NEVER FOUND IT EASY TO ACT IN CONCERT BUT IT WOULD BE TRAGIC IF POLAND'S MISFORTUNE BECAME THE INSTRUMENT OF ALLIED DISUNITY. PRESIDENT REAGAN'S TWO-TRACK STRATEGY (IMPOSING UNILATERAL SANCTIONS AND SEEKING UNIFIED ALLIED ACTION) WAS WELL UNDER WAY. CONTINUED UNITY AND CONCRETE PRESSURE, COUPLED WITH THE WEST'S POSITIVE OFFER TO HELP THE POLISH ECONOMY, OFFERED THE BEST PROSPECT FOR AFFECTING THE FUTURE OF FREEDOM IN POLAND.

3. FOLLOWING ARE THE MAIN POINTS FROM SUBSEQUENT QUESTIONS AND ANSWERS.

(A) ALLIED UNITY. IN PAST CRISES EG HUNGARY AND CZECHOSLOVAKIA, NATO HAD TAKEN THE POSITION THAT THESE WERE INTERNAL MATTERS. IN THE CASE OF POLAND THE ALLIANCE HAD JOINED IN A CLEAR CONDEMNATION OF WHAT HAD HAPPENED AND IN DECLARING SOVIET RESPONSIBILITY. FROM THE EUROPEAN NATION'S POINT OF VIEW SOME OF THE ACTIONS SUGGESTED BY THE UNITED STATES APPEARED TO PUT AN UNFAIR ECONOMIC BURDEN ON THEM WHICH WAS NOT FULLY SHARED BY AMERICA. THIS VIEW WAS JUSTIFIED BY STATISTICS. THE US SHOULD RECOGNISE THE UNPRECEDENTED DEGREE OF COOPERATION AND SUPPORT WHICH IT HAD RECEIVED FROM ITS EUROPEAN

/ ALLIES.

ALLIES. THERE WERE NO DIFFERENCES ON THE UNACCEPTABILITY OF THE SITUATION OR ON SOVIET RESPONSIBILITY FOR IT. SUCH DIFFERENCES AS THERE WERE FOCUSED ON FINDING THE MOST EFFECTIVE MEANS TO MODERATE SOVIET ACTION. THE PRESIDENT HAD BEEN RIGHT IN HIS ACTIONS SO FAR. IT WOULD BE TOO MUCH TO EXPECT ALL OF THE ALLIES TO BE HAPPY ALL OF THE TIME. NATO DID NOT OPERATE IN LOCK-STEP, UNLIKE THE WARSAW PACT, WHICH OPERATED ON INSTRUCTIONS FROM MOSCOW. THE PRESIDENT WAS UNDER PRESSURE, FROM BOTH RIGHT AND LEFT, TO TAKE TOUGHER ACTION EG ON POLISH DEBT OR ON ALLIED ACTION. IF THE PRESIDENT HAD FOLLOWED HIS CRITICS HE WOULD HAVE RISKED BRINGING DOWN THE TEMPLE OF WESTERN UNITY AND THAT WOULD HAVE DONE THE WORK OF THE SOVIET UNION AND NOT SERVED US INTERESTS.

(B) GUARANTEED LOANS TO POLAND. THE ADMINISTRATION'S DECISION (WHICH HAD BEEN PERSONALLY APPROVED BY THE PRESIDENT) TO HONOUR LOANS TO POLAND GUARANTEED BY THE COMMODITY CREDIT COOPERATION (CCC) WAS, CONTRARY TO SOME OF THE CLAIMS MADE BY THE ADMINISTRATION'S CRITICS, THE TOUGH POSITION TO TAKE. IF THE US GOVERNMENT HAD ALLOWED POLAND TO GO INTO DEFAULT THIS WOULD HAVE LET THE SOVIET UNION OFF THE HOOK OF RESPONSIBILITY FOR REPAYMENT OF POLISH DEBT. AS IT WAS, THE SOVIET UNION WAS IN A SEVERE CASH CRUNCH AND HAD BEEN SELLING GOLD AT AN UNPRECEDENTED RATE. THE US DECISION WAS A MEANS OF INSISTING THAT THE SOVIET UNION MEET ITS OBLIGATIONS.

(C) GRAIN EMBARGO. SENATORS FROM GRAIN STATES SAID THAT THE POSSIBILITY OF A GRAIN EMBARGO WAS ALREADY HAVING AN ADVERSE EFFECT ON THE POSITION OF AMERICAN FARMERS. HAIG SAID THAT A NUMBER OF FACTORS, INCLUDING EUROPEAN AGRICULTURAL SALES, HAD AFFECTED THE US POSITION. THE PRESIDENT HAD MADE IT VERY VERY CLEAR THAT IT WAS NOT HIS POLICY TO INSTITUTE A UNILATERAL US GRAIN EMBARGO UNLESS IT WERE PART OF A BROADLY BASED ARRAY OF SANCTIONS. IT HAD ALSO BEEN MADE CLEAR THAT A US GRAIN EMBARGO, EVEN ONE INSTITUTED AS PART OF AN OVERALL SANCTIONS POLICY, WOULD NOT BE FULLY EFFECTIVE UNLESS OTHER GRAIN PRODUCING COUNTRIES AGREED TO JOIN IN. A GRAIN EMBARGO IMPOSED OUTSIDE THE FRAMEWORK OF GENERAL SANCTIONS WOULD COST THE US GOVERNMENT 30 BILLION DOLLARS IN PARITY PRICE SUPPORT TO THE US FARMER FOR THIS YEAR ALONE.

(D) LINKAGE.

LINKAGE WAS A FACT OF INTERNATIONAL LIFE NOT A POLICY OPTION. THE PRESIDENT HAD DIRECTED THAT THE INF DISCUSSIONS SHOULD CONTINUE, NOT BECAUSE THESE HAD BEEN DELINKED BUT BECAUSE IT WAS IN

THE US INTEREST TO CONDUCT THE TALKS WITHOUT DELAY (A) BECAUSE THIS HAD BEEN AGREED WITH AMERICA'S PARTNERS, (B) BECAUSE THE SOVIET UNION WAS ALREADY DEPLOYING SS20'S AND THE WEST WAS NOT YET DEPLOYING COMPARABLE WEAPONS, AND (C) BECAUSE, TO HAVE ABANDONED THE TALKS, COULD HAVE TRANSFORMED EUROPEAN DEMONSTRATIONS AGAINST OPPRESSION IN POLAND, INVOLVING 60-70,000 DEMONSTRATORS AT A TIME, INTO DEMONSTRATIONS ON THE ISSUE OF DISARMAMENT INVOLVING UP TO 300,000 PEOPLE. HAIG HAD TOLD GROMYKO THAT PREPARATIONS FOR START WERE PROCEEDING WITH ALL DUE HASTE WITH A VIEW TO EARLY INITIATION OF SUBSTANTIVE DISCUSSIONS. BUT IF THERE WERE NO ABATEMENT OF REPRESSION IN POLAND, THE SITUATION WOULD BECOME INCREASINGLY SERIOUS. POLAND COULD NOT BE DISSOCIATED FROM SUCH A VITAL QUESTION AS THAT OF STRATEGIC ARMS NEGOTIATIONS.

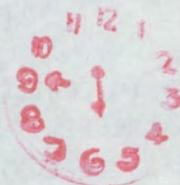
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TO IMMEDIATE UKREP BRUSSELS

TELEGRAM NUMBER 103 OF 5 FEBRUARY

INFO PRIORITY PARIS, BONN, UKDEL NATO, WASHINGTON

INFO SAVING MOSCOW, WARSAW, OTHER EC POSTS

RESTRICTED GROUP OF AMBASSADORS' ADVISERS,

8 FEBRUARY: POLAND

LINE TO TAKE

1. ESSENTIAL THAT GROUP SHOULD FULFIL REMIT FROM COREPER TO IDENTIFY LIST OF PRODUCTS AGAINST WHICH MEASURES COULD BE TAKEN TO REDUCE SOVIET EXPORTS. IMPORTANT NOT ONLY TO HAVE DOSSIER READY FOR DECISION BY MINISTERS ON 22 FEBRUARY BUT ALSO THAT PRESIDENCY SHOULD HAVE SOMETHING POSITIVE TO SAY FOR ITS HIGH LEVEL VISIT TO WASHINGTON ON 15/16 FEBRUARY. IT WILL BE FOR THE COUNCIL TO TAKE DECISIONS IN THE LIGHT OF DEVELOPMENTS OVER THE TOTAL ECONOMIC MEASURES PACKAGE.

2. SUPPORT FRENCH ARGUMENT AT LAST MEETING OF GROUP THAT COMMUNITY SHOULD TAKE ACTION ON ACTUAL TRADE FLOWS RATHER THAN SIMPLY ON QUOTAS WHICH DO NOT BITE. UK PREPARED TO ENVISAGE REDUCTION IN EXISTING QUOTAS TO SAY 1980 TRADE LEVELS (1981 IF LOWER, BUT UK FIGURES FOR 1981 NOT AVAILABLE) AND IMPOSITION OF NEW RESTRICTIONS AGAIN AT SIMILAR LEVELS (TAKING ACCOUNT WHERE NECESSARY OF OUR TRADERS' EXISTING COMMITMENTS). READY TO CONSIDER EVEN LOWER LEVELS IF OTHERS WILL TOO. THIS WOULD SEND THE RIGHT SIGNALS WITHOUT GREAT RISK OF UNDUE DAMAGE TO COMMUNITY TRADING INTERESTS.

3. (IF APPROPRIATE) READY TO CONSIDER ANY OTHER SUGGESTIONS FROM PARTNERS.

4. SUGGEST COUNCIL BE INVITED TO AGREE TO RESTRICTING SOVIET IMPORTS INTO THE COMMUNITY ON SELECTED ITEMS FROM THE FOLLOWING LIST (PLUS ANY OTHERS WE CAN ALL AGREE ON). PRODUCTS MUST BE CAREFULLY CHOSEN TO ENSURE APPROXIMATE BALANCE BETWEEN

Especially para. 4.

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MEMBER STATES AND TO PRESENT WELL PUBLICLY.

- CARS
- TEXTILES (INCLUDING CARPETS)
- STEEL
- WATCHES AND CLOCKS
- MONOCHROME TELEVISION SETS (FOR YOUR INFORMATION)
- NO PRESENT ACCESS FOR COLOUR TVS)
- RADIOS AND RADIOGRAMS
- CAMERAS
- BINOCULARS
- TOYS
- REFRIGERATORS AND OTHER DOMESTIC ELECTRICAL GOODS
- TRACTORS
- MATCHES

5. (IF NECESSARY TO KEEP THE GREEKS ON BOARD) COUNCIL DECISION WOULD NEED TO BE IN A FORM WHICH ENABLED GREECE NOT TO RESTRICT TRADE. THIS MANAGEABLE SINCE QUOTA LEVELS SET BY AGREEMENT BETWEEN EACH MEMBER STATE, COMMISSION AND COUNCIL.

BACKGROUND

6. WILLINGNESS OF MEMBER STATES TO ALLOW COMMUNITY DECISIONS WILL DEPEND ON PROGRESS WITH THE AMERICANS ON EXISTING CONTRACTS AND ACCEPTABLE ARRANGEMENTS OVER NON-UNDERMINING. BUT PROGRESS NOW IS NECESSARY TO PUT MINISTERS IN A POSITION TO TAKE ACCOUNT OF ALL FACTORS AND DECIDE APPROPRIATELY AT THE FOREIGN AFFAIRS COUNCIL.

7. WE LIKE THE BELGIAN PRESIDENCY'S IDEA OF COMMUNITY-WIDE ACTION ON A SHORT LIST OF PRODUCTS. IT WOULD BE SIMPLE TO ADMINISTER AND THERE WOULD BE NO PROBLEMS OF DIVERSION. BUT WE SHOULD NEED TO EXAMINE THE LIKELY LIST CAREFULLY. THE PRODUCTS LISTED IN PARA 4 ARE IN OUR APPROXIMATE ORDER OF PREFERENCE. WE ARE READY TO CONSIDER OTHER PRODUCTS WHICH MAY BE SUGGESTED BY OTHER MEMBER STATES OR THE COMMISSION, BUT NOT (NOT) DIAMONDS IN WHICH WE HAVE AN IMPORTANT ENTREPOT AND PROCESSING TRADE (AS DO THE DUTCH, WHO CAN BE EXPECTED TO OPPOSE THEIR INCLUSION), FURS (DITTO) AND CHEMICALS (THE USSR IS A SIGNIFICANT SOURCE OF SUPPLY AND MARKET FOR THE UK CHEMICAL INDUSTRY). IF SOME

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MEMBER STATES INSIST THAT THEY CANNOT TAKE ACTION ON SOME ITEMS WHICH OTHER MEMBER STATES INSIST ON INCLUDING, WE MAY HAVE TO CONSIDER COUNCIL APPROVAL OF AN A LA CARTE LIST BUT THIS IS VERY MUCH A FALL-BACK.

8. WE DO NOT HAVE CLEARANCE TO GO ALONG WITH MEASURES ON LUXURY FOODS (VODKA, CAVIAR ETC). IF OTHERS RAISE THEM, YOU SHOULD TAKE NOTE.

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TELNO 218 OF 5TH FEBRUARY 1982

INFO ROUTINE: WASHINGTON, PARIS, BONN, UKDEL NATO, MOSCOW

INFO SAVING: EAST BERLIN, PRAGUE, BUDAPEST, BUCHAREST, BELGRADE,
HELSINKI AND STOCKHOLM

POLAND : THE ECONOMY.

THE POLISH GOVERNMENT HAS MADE A NUMBER OF SIGNIFICANT STATEMENTS
THIS WEEK INDICATING THAT, ALTHOUGH PROSPECTS FOR SOME SECTORS OF
THE ECONOMY - PARTICULARLY RAW MATERIALS EXTRACTION - ARE LOOKING
BETTER FOLLOWING THE IMPOSITION OF MARTIAL LAW, ACUTE PROBLEMS EXIST
IN OTHER AREAS AND WILL ALMOST CERTAINLY GROW WORSE. THE IMPOSITION
OF WESTERN SANCTIONS, ESPECIALLY THE WITHOLDING OF CREDITS FOR
AGRICULTURAL AND INDUSTRIAL GOODS, IS THE CAUSE OF SERIOUS CONCERN
FOR THE MILITARY REGIME.

AGRICULTURE

2. AGRICULTURE MINISTER WOJTECKI STATED ON 3 FEBRUARY THAT WESTERN
RESTRICTIONS ON NEW CREDIT WOULD LEAD TO A SHORTFALL OF SOME 3
MILLION TONNES OF GRAIN AND FODDER NEEDED BY POLAND. THE EFFECTS
OF THIS WOULD INCLUDE A DROP IN POULTRY OUTPUT OF 350,000 TONNES.
HE ADDED THAT FORECASTS OF A RISE IN AGRICULTURAL OUTPUT OF 5-7
PER CENT IN 1982 WOULD HAVE TO BE REVISED BECAUSE OF SANCTIONS AND
OTHER MEANS WOULD HAVE TO BE FOUND OF ACCELERATING POLAND'S AIM OF
AGRICULTURAL SELF-SUFFICIENCY. THE GOVERNMENT INTENDED TO PERSEVERE
WITH ITS AGREEMENTS WITH PRIVATE FARMERS, HOWEVER, AND COMPULSORY
DELIVERIES TO THE STATE WOULD ONLY BE USED AS A LAST RESORT EVEN
THOUGH GRAIN PURCHASES FROM THE PRIVATE SECTOR WERE UNSATISFACTORY.
IN A SEPARATE PUBLICATION, THE PLANNING COMMISSION'S MAIN
ASSUMPTIONS FOR THE FIRST TWO QUARTERS OF 1982 SHOW A DECREASE IN
THE NUMBER OF ANIMALS FOR SLAUGHTER OF SOME 40 PER CENT BY MID
1982 OVER THE SAME PERIOD LAST YEAR. THIS, SAYS THE REPORT, WILL
MEAN EITHER A FURTHER CUT IN MEAT RATIONS OR, PREFERABLY IN THE
COMMISSIONS VIEW, ADDITIONAL INCREASES IN PRICES FOR MEAT.

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INDUSTRY

3. THE POSITION IN INDUSTRY IS LITTLE BETTER. ENTERPRISES WITHIN HIGH PRIORITY SECTORS ARE SAID TO BE PERFORMING WELL, WITH FIRST QUARTER INCREASES EXPECTED IN PRODUCTION OF COAL (+ 7.4 PER CENT), SULPHUR AND CEMENT PUBLISHED DAILY PRODUCTION FIGURES FOR COAL ARE AVERAGING 620 - 630,000 TONS AT THE MOMENT WITH SATURDAY PRODUCTION BETWEEN 550,000 AND 600,000 TONS. THE URSUS TRACTOR FACTORY IS ALSO FUNCTIONING NORMALLY ACCORDING TO ITS TECHNICAL DIRECTOR. ON THE OTHER HAND INDUSTRY OUTSIDE THE PRIORITY PROGRAMMES, ESPECIALLY IN AREAS HEAVILY DEPENDENT ON IMPORTS, AND SCARCE RAW MATERIALS, FACES A GRIM PROSPECT. DEPUTY PRIME MINISTER MADEJ THIS WEEK PREDICTED A FALL IN INDUSTRIAL OUTPUT AS A WHOLE OF 8-10 PER CENT IN THE FIRST QUARTER OF 1982 OVER THE NONE-TOO-GOOD FIRST THREE MONTHS OF 1981. OUTPUT OF ROLLED PRODUCTS IS EXPECTED TO DROP BY 28 PER CENT AND CRUDE OIL PROCESSING BY 21 PER CENT. MADEJ SAID THAT THE TYRE INDUSTRY WILL OPERATE AT ONLY 60 PER CENT OF CAPACITY AND THE LEATHER AND SOME CHEMICAL PLANTS AT BELOW 50 PER CENT OF POTENTIAL. OTHER AREAS OF PARTICULAR CONCERN ARE THE TEXTILE INDUSTRY (ESPECIALLY WOOLLENS AND SOME COTTONS), DETERGENTS AND SOAP PRODUCTS; AND A WHOLE RANGE OF HOUSEHOLD DURABLES AND ELECTRICAL PRODUCTS. AS A RESULT, MARKET SUPPLIES OF MANY BASIC ITEMS E.G. SHOES AND SOME CLOTHING, WILL BE SMALL OR EVEN NON-EXISTENT. THE PRODUCTION OF POLCORFAM (IMITATION LEATHER) WAS FOR A WHILE SUSPENDED SEVERAL WEEKS AGO.

FOREIGN TRADE AND PAYMENTS

4. DEPUTY TRADE MINISTER KARAS SAID THIS WEEK THAT ALL THE PRIORITY AREAS IN TRADE POLICY - ACHIEVING REASONABLE EXPORTS, IMPORTS OF ESSENTIAL ITEMS; REPAYMENT OF DEBTS AND OBTAINING NEW CREDITS - FACED NEW OBSTACLES AS A RESULT OF WESTERN ACTION, WHICH HAD COME AS A BLOW TO POLISH SOCIETY. HAVING STRESSED THAT POLAND WISHED TO SOLVE ITS DEBT PROBLEM BY NEGOTIATION, KARAS ADDED THAT "SHE WOULD NOT BEAR RESPONSIBILITY FOR OTHER SOLUTIONS IMPOSED ON HER". THE PLANNING COMMISSION, MEANWHILE, ARE EXPECTING IMPORTS FROM THE WEST IN THE FIRST QUARTER OF THE YEAR TO BE 30 PER CENT DOWN ON 1981, ALTHOUGH IMPORTS FROM CMEA COUNTRIES WILL RISE BY 11 PER CENT (BOTH FIGURES IN VALUE TERMS.) THEY ARE HOWEVER HOPING THAT EXPORTS TO THE WEST WILL REMAIN AT ABOUT 1981 LEVELS IN VALUE. (ALTHOUGH THE COMMISSION ADMIT THAT THIS WILL BE DIFFICULT TO ACHIEVE GIVEN THE DROP IN IMPORTS.) IF CORRECT, POLAND SHOULD ACHIEVE A HARD CURRENCY TRADE SURPLUS OF 900M TRANSFERABLE ZLOTYS (ABOUT DOLLARS 270M) IN THE FIRST QUARTER OF 1982.

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ECONOMIC REFORM

5. THE MAIN MEASURES OF ECONOMIC REFORM INTRODUCED SINCE 1 JANUARY - NEW INDUSTRY PRICES AND GREATER ENTERPRISE AUTONOMY - ARE FARING BADLY UNDER MARTIAL LAW. OBVIOUSLY SHAKEN BY THE LARGE PRICE INCREASES INTRODUCED BY ENTERPRISES UNDER THEIR NEW FREEDOM, THE GOVERNMENT THIS WEEK ANNOUNCED MAJOR EXTENSIONS IN THE LISTS OF ITEMS WHOSE PRICES ARE CONTROLLED DIRECTLY BY THE STATE. A NEW SOCIAL PRICE COMMISSION WATCHDOG HAS BEEN ESTABLISHED. MEANWHILE ENTERPRISES OUTSIDE THE PRIORITY SECTORS ARE FINDING THAT WITH ONLY LIMITED ACCESS TO RAW MATERIALS AND OTHER IMPUTS (INCLUDING HARD CURRENCY) THEIR NEW DECISION-MAKING FREEDOM IS OF LITTLE VALUE. THE MASSIVE RISES IN PRICES OF GOODS AND SERVICES UNDER GOVERNMENT CONTROL, WHICH WERE EFFECTIVE FROM 1 FEBRUARY, HAVE SO FAR PROVOKED ONLY SPORADIC RESISTANCE (AS FAR AS IS KNOWN). THESE INCREASES, NEEDED TO STABILISE THE ECONOMY BUT NOT PART OF ECONOMIC REFORM AS SUCH, HAVE NOT BROUGHT FORTH ANY SIGNIFICANT IMPROVEMENT IN SUPPLIES SO FAR, AS MANY COMMENTATORS EXPECTED WOULD HAPPEN.

COMMENT

6. ALTHOUGH THE MILITARY REGIME WILL HAVE BEEN PLEASED THAT PRICE INCREASES HAVE BEEN IMPLEMENTED WITHOUT MAJOR PROBLEMS SO FAR, AND THAT OUTPUT IN SOME KEY SECTORS SHOWS SIGNS OF IMPROVEMENT, THEY MUST BE VERY CONCERNED AT THE SUPPLY PROSPECTS FOR THE COMING MONTHS. HOWEVER MUCH THE REGIME MAY TRY TO SHIFT THE BLAME ON TO THE WEST FOR THIS STATE OF AFFAIRS, THE MAN-IN-THE-STREET HERE WILL LOOK TO THE GOVERNMENT FOR A SOLUTION, AND WILL BLAME THEM IF IT IS NOT FORTHCOMING. THE GOVERNMENT MUST ALSO BE EXTREMELY UNCERTAIN OVER THE WEST'S NEXT MOVES ON THE FOREIGN DEBT QUESTION. ALTHOUGH PROGRESS SEEMS FORTHCOMING IN THE RESCHEDULING TALKS WITH WESTERN BANKS, THE ATTITUDE OF THE 16 WESTERN GOVERNMENT CREDITORS REMAINS A CRUCIAL UNKNOWN FOR THE POLISH AUTHORITIES.

FCO PLEASE PASS SAVING TO ALL SAVING ADDRESSEES

MELHUISH

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TO IMMEDIATE FCO

TELEGRAM NUMBER 386 OF 5 FEBRUARY

INFO IMMEDIATE BANGKOK (FOR PRIVATE SECRETARY) ^{MR COLES 10 DOWNING ST} BONN PARIS UKDEL NATO

UKREP BRUSSELS PRIORITY ROME WARSAW MOSCOW

US RESPONSE ON POLAND

1. WHEN I SAW EAGLEBURGER TODAY I ASKED HIM ABOUT THE DECISIONS OF THE NATIONAL SECURITY COUNCIL YESTERDAY ON THE ABOVE SUBJECT. HE TOLD ME THAT IT HAD BEEN DECIDED NOT TO CALL A DEFAULT ON POLISH DEBTS. THE GRAIN QUESTION AND THAT OF A WIDER TRADE EMBARGO HAD BEEN LEFT OPEN. EAGLEBURGER SAID HE COULD NOT TELL ME THAT THE US HAD ACTUALLY DECIDED AGAINST SUCH AN EMBARGO, BUT NEVERTHELESS HE THOUGHT IT WAS EXTREMELY UNLIKELY THAT THEY WOULD PROCEED WITH ONE.
2. THE OTHER QUESTIONS HAD BEEN LEFT FOR FURTHER EXAMINATION. BY THIS HE MEANT THAT NO DECISIONS HAD BEEN TAKEN TO EXTEND THE PRESENT EMBARGOES (IE ON ENERGY-RELATED PRODUCTS AND HIGH TECHNOLOGY) TO AMERICAN SUBSIDIARIES ABROAD OR TO PRODUCTS IN THESE BANNED CATEGORIES MADE UNDER LICENCE ABROAD AND DESTINED FOR EXPORT TO THE SOVIET UNION.
3. I ASKED ABOUT EXISTING CONTRACTS, WITH PARTICULAR RELATION TO JOHN BROWN. EAGLEBURGER (WHO THEN CALLED IN AN EXPERT) SAID THAT THERE HAD BEEN NO CHANGE ABOUT THIS SINCE THE PRESIDENT'S STATEMENT OF 29 DECEMBER. THEY WERE DEFINITELY CAUGHT BY THE EXISTING EMBARGO. RE-EXPORT LICENCES WOULD BE REQUIRED FOR GENERAL ELECTRIC COMPONENTS IN ENERGY AND ENERGY-RELATED FIELDS AND THESE WOULD NOT BE GRANTED.
4. I POINTED OUT THE INEQUITY INVOLVED: A FRENCH FIRM COULD PRODUCE A PRODUCT UNDER LICENCE FROM GENERAL ELECTRIC AND WAS ABLE TO EXPORT IT TO THE SOVIET UNION; BUT JOHN BROWN WHO HAD PURCHASED EXACTLY THE SAME PRODUCT FROM AMERICA AND INCORPORATED IT AS A COMPONENT IN A PIECE OF EQUIPMENT FOR EXPORT TO THE USSR WAS NOT ALLOWED TO DO SO. EAGLEBURGER ACKNOWLEDGED THE PROBLEM. HE SAID THAT HAIG WAS VERY MUCH AWARE OF IT. HE HAD BEEN MUCH AFFECTED BY THE ARGUMENTS THE PRIME MINISTER HAD USED WITH HIM ON THE SUBJECT. HE IMplored ME NOT TO CONCLUDE THAT A DEFINITE NEGATIVE DECISION HAD BEEN REACHED. THE SUBJECT WAS STILL UNDER EXAMINATION.
5. FROM THIS WE WENT ON TO A GENERAL CONVERSATION ABOUT AMERICAN INTENTIONS IN THE TRADING FIELD VIS-A-VIS THE SOVIET UNION. I SUGGESTED THAT IF THEY THEMSELVES WERE NOT BENT UPON TERMINATING THEIR TRADE WITH THE SOVIET UNION THEY COULD NOT EXPECT THEIR EUROPEAN PARTNERS TO DO SO EITHER. BUT WHAT ABOUT THE PIPELINE? WAS IT THE US INTENTION TO DO EVERYTHING POSSIBLE TO THWART THE CONSTRUCTION AND USE OF THE PIPELINE? EAGLEBURGER SAID THAT THE

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AMERICANS CONSIDERED THE PIPELINE A GRAVE ERROR. NOT SO MUCH BECAUSE IT WOULD INCREASE WESTERN EUROPEAN ENERGY DEPENDENCE UPON THE SOVIET UNION BUT BECAUSE IT WOULD PROVIDE THE SOVIET UNION WITH SO MUCH HARD CURRENCY. WITHIN THEIR POWER THEREFORE THE US ADMINISTRATION WOULD DO EVERYTHING IT COULD TO PREVENT THE EUROPEANS FROM HELPING WITH THE CONSTRUCTION OF THE PIPELINE. I SAID THAT MY VIEW WAS THAT THE FRENCH AND GERMANS WERE DETERMINED TO GO AHEAD WITH THE PIPELINE. THE AMERICANS HAVE NEVER BEEN ABLE TO COME UP WITH ANY ALTERNATIVE SOLUTION TO MEET THE EUROPEAN CONTINENT'S ENERGY NEEDS. WHAT WAS THE POINT OF HAVING A CONTINUING ROW WITH THE EUROPEANS ABOUT THE PIPELINE IF THEY KNEW THAT THE EUROPEANS WERE GOING TO GO AHEAD ANYWAY? EAGLEBURGER ADMITTED THAT THERE MIGHT BE LITTLE POINT IN DOING SO: NEVERTHELESS THERE WAS STRONG FEELING IN THE TOWN THAT AMERICAN GOODS SHOULD NOT BE USED TO HELP THE CONSTRUCTION OF THE PIPELINE.

6. THERE WAS ALSO STRONG OBJECTION TO THE PROVISION OF GUARANTEED EXPORT CREDITS TO THE SOVIET UNION BY EUROPEAN GOVERNMENTS. NEITHER EXIM BANK NOR THE COMMODITIES CREDIT CORPORATION HAD BEEN ALLOWED TO PROVIDE SUCH CREDIT SINCE 1974. THE AMERICANS RECOGNISED THAT IT WAS A STEP IN THE RIGHT DIRECTION FOR THE EUROPEAN COUNTRIES TO RECLASSIFY THE SOVIET UNION AS A QUOTE RELATIVELY RICH UNQUOTE COUNTRY. THIS WOULD BRING THE COST OF SOVIET BORROWING A LITTLE NEARER TO MARKET RATES. BUT THEY WOULD PREFER TO SEE US MOVE STILL FURTHER INTO LINE AND STOP SUBSIDISING SOVIET TRADE ALTOGETHER.

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TELEGRAM NUMBER 386 OF 5 FEBRUARY

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UKREP BRUSSELS PRIORITY ROME WARSAW MOSCOW

US RESPONSE ON POLAND

1. WHEN I SAW EAGLEBURGER TODAY I ASKED HIM ABOUT THE DECISIONS OF THE NATIONAL SECURITY COUNCIL YESTERDAY ON THE ABOVE SUBJECT. HE TOLD ME THAT IT HAD BEEN DECIDED NOT TO CALL A DEFAULT ON POLISH DEBTS. THE GRAIN QUESTION AND THAT OF A WIDER TRADE EMBARGO HAD BEEN LEFT OPEN. EAGLEBURGER SAID HE COULD NOT TELL ME THAT THE US HAD ACTUALLY DECIDED AGAINST SUCH AN EMBARGO, BUT NEVERTHELESS HE THOUGHT IT WAS EXTREMELY UNLIKELY THAT THEY WOULD PROCEED WITH ONE.

2. THE OTHER QUESTIONS HAD BEEN LEFT FOR FURTHER EXAMINATION. BY THIS HE MEANT THAT NO DECISIONS HAD BEEN TAKEN TO EXTEND THE PRESENT

EMBARGOES (IE ON ENERGY-RELATED PRODUCTS AND HIGH TECHNOLOGY) TO AMERICAN SUBSIDIARIES ABROAD OR TO PRODUCTS IN THESE BANNED CATEGORIES MADE UNDER LICENCE ABROAD AND DESTINED FOR EXPORT TO THE SOVIET UNION.

3. I ASKED ABOUT EXISTING CONTRACTS, WITH PARTICULAR RELATION TO JOHN BROWN. EAGLEBURGER (WHO THEN CALLED IN AN EXPERT) SAID THAT THERE HAD BEEN NO CHANGE ABOUT THIS SINCE THE PRESIDENT'S STATEMENT OF 29 DECEMBER. THEY WERE DEFINITELY CAUGHT BY THE EXISTING EMBARGO. RE-EXPORT LICENCES WOULD BE REQUIRED FOR GENERAL ELECTRIC COMPONENTS IN ENERGY AND ENERGY-RELATED FIELDS AND THESE WOULD NOT BE GRANTED.

4. I POINTED OUT THE INEQUITY INVOLVED: A FRENCH FIRM COULD PRODUCE A PRODUCT UNDER LICENCE FROM GENERAL ELECTRIC AND WAS ABLE TO EXPORT IT TO THE SOVIET UNION: BUT JOHN BROWN WHO HAD PURCHASED EXACTLY THE SAME PRODUCT FROM AMERICA AND INCORPORATED IT AS A COMPONENT IN A PIECE OF EQUIPMENT FOR EXPORT TO THE USSR WAS NOT ALLOWED TO DO SO. EAGLEBURGER ACKNOWLEDGED THE PROBLEM. HE SAID THAT HAIG WAS VERY MUCH AWARE OF IT. HE HAD BEEN MUCH AFFECTED BY THE ARGUMENTS THE PRIME MINISTER HAD USED WITH HIM ON THE SUBJECT. HE IMploRED ME NOT TO CONCLUDE THAT A DEFINITE NEGATIVE DECISION HAD BEEN REACHED. THE SUBJECT WAS STILL UNDER EXAMINATION.

5. FROM THIS WE WENT ON TO A GENERAL CONVERSATION ABOUT AMERICAN INTENTIONS IN THE TRADING FIELD VIS-A-VIS THE SOVIET UNION. I SUGGESTED THAT IF THEY THEMSELVES WERE NOT BENT UPON TERMINATING THEIR TRADE WITH THE SOVIET UNION THEY COULD NOT EXPECT THEIR EUROPEAN PARTNERS TO DO SO EITHER. BUT WHAT ABOUT THE PIPELINE? WAS IT THE US INTENTION TO DO EVERYTHING POSSIBLE TO THWART THE CONSTRUCTION AND USE OF THE PIPELINE? EAGLEBURGER SAID THAT THE AMERICANS CONSIDERED THE PIPELINE A GRAVE ERROR. NOT SO MUCH BECAUSE IT WOULD INCREASE WESTERN EUROPEAN ENERGY DEPENDENCE UPON THE SOVIET UNION BUT BECAUSE IT WOULD PROVIDE THE SOVIET UNION WITH SO MUCH HARD CURRENCY. WITHIN THEIR POWER THEREFORE THE US ADMINISTRATION WOULD DO EVERYTHING IT COULD TO PREVENT THE EUROPEANS FROM HELPING WITH THE CONSTRUCTION OF THE PIPELINE. I SAID THAT MY VIEW WAS THAT THE FRENCH AND GERMANS WERE DETERMINED TO GO AHEAD WITH THE PIPELINE. THE AMERICANS HAVE NEVER BEEN ABLE TO COME UP WITH ANY ALTERNATIVE SOLUTION TO MEET THE EUROPEAN CONTINENT'S ENERGY NEEDS. WHAT WAS THE POINT OF HAVING A CONTINUING ROW WITH THE EUROPEANS ABOUT THE PIPELINE IF THEY KNEW THAT THE EUROPEANS WERE GOING TO GO AHEAD ANYWAY? EAGLEBURGER ADMITTED THAT THERE MIGHT BE LITTLE POINT IN DOING SO: NEVERTHELESS THERE WAS STRONG FEELING IN THE TOWN THAT AMERICAN GOODS SHOULD NOT BE USED TO HELP THE CONSTRUCTION OF THE

AMERICAN GOODS SHOULD NOT BE USED TO HELP THE CONSTRUCTION OF THE PIPELINE.

6. THERE WAS ALSO STRONG OBJECTION TO THE PROVISION OF GUARANTEED EXPORT CREDITS TO THE SOVIET UNION BY EUROPEAN GOVERNMENTS. NEITHER EXIM BANK NOR THE COMMODITIES CREDIT CORPORATION HAD BEEN ALLOWED TO PROVIDE SUCH CREDIT SINCE 1974. THE AMERICANS RECOGNISED THAT IT WAS A STEP IN THE RIGHT DIRECTION FOR THE EUROPEAN COUNTRIES TO RECLASSIFY THE SOVIET UNION AS A QUOTE RELATIVELY RICH UNQUOTE COUNTRY. THIS WOULD BRING THE COST OF SOVIET BORROWING A LITTLE NEARER TO MARKET RATES. BUT THEY WOULD PREFER TO SEE US MOVE STILL FURTHER INTO LINE AND STOP SUBSIDISING SOVIET TRADE ALTOGETHER.

HENDERSON

NNNN

ASC

5 February 1982

C Sir Anthony Kershaw (Stroud): To ask the Lord Privy Seal, if he will make a statement on the outcome of the allied consultations on Poland in the North Atlantic Council on 3 February.

No 122W

MR HUMPHREY ATKINS

In her reply to the honourable Member for Huntingdonshire on 4 February, my right honourable Friend the Prime Minister explained the position reached in discussion in the North Atlantic Council following the Declaration issued by NATO Foreign Ministers on 11 January. The Prime Minister stated that at the meeting of the North Atlantic Council on 3 February, it was agreed to pursue and as necessary strengthen actions along the lines set out in the 11 January Declaration. She undertook to give the House details as soon as possible of the measures being taken by Her Majesty's Government. These measures are as follows.

With respect to Poland, Her Majesty's Government:

- i. have imposed travel restrictions on Polish diplomats and certain other official Polish representatives in London and Glasgow;

/ii.

- ii. will ensure that their relations with the military régime in Poland reflect the abnormal nature of the present situation;
- iii. have increased BBC broadcasts in the Polish language to Poland;
- iv. will give financial or other assistance to help co-ordinate the efforts of those voluntary and Church agencies in Britain which are providing humanitarian aid to Poland;
- v. have agreed with other Western official creditors that the question of rescheduling of Poland's 1982 official debt should, for the time being, be held in suspense;
- vi. have placed in abeyance existing officially guaranteed credits to Poland subject to safe- guarding the interests of British firms having legal binding contractual obligations;
- vii. will not for the present make available any new credits for Poland;
- viii. have agreed with our Community partners that there should be no further sales of European Community food at special prices to Poland. Funds that would have been made available for this purpose will now be diverted to the provision of humanitarian aid through the voluntary agencies and Church agencies. As a result of this decision, there is up to 35 mecu (approximately £19 million) available for this purpose of which the Commission is putting forward a proposal for the early allocation of 8 mecu (approximately £4.5 million).

/With

With respect to the Soviet Union Her Majesty's Government:

- i. have imposed additional restrictions on the travel of Soviet officials based in the United Kingdom;
- ii. will reduce the level of activity under four Anglo-Soviet technical cooperation agreements, in the fields of medicine and public health, environmental protection, agricultural research and atomic energy;
- iii. have introduced a licensing system which covers Soviet factory ships trans-shipping fish caught in United Kingdom waters;
- iv. have given notice that they intend to re-negotiate the terms of the Anglo/Soviet Treaty on Merchant Navigation.
- v. are exploring with Community partners the possibility of reclassifying the Soviet Union within the OECD export credit consensus (on which we expect early agreement in the Community) and of trade policy measures regarding Soviet exports to the Community.

Sir Anthony Kershaw asked the Lord Privy Seal if he will make a statement on the outcome of the allied consultations on Poland in the North Atlantic Council on 3 February.

Mr. Humphrey Atkins: In her reply to the hon. Member for Huntingdonshire (Mr. Major) on 4 February, my right hon. Friend the Prime Minister explained the position reached in discussion in the North Atlantic Council following the declaration issued by NATO Foreign Ministers on 11 January. The Prime Minister stated that at the meeting of the North Atlantic Council on 3 February, it was agreed to pursue and as necessary strengthen actions along the lines set out in the 11 January declaration. She undertook to give the House details as soon as possible of the measures being taken by Her Majesty's Government. These measures are as follows.

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expects to forward to the European Economic Community the applications he has received from local authorities for grant-aiding under the European Economic Community regional fund—non-quota section—relating to shipbuilding areas.

Mr. Humphrey Atkins: Applications cannot be forwarded until the relevant programme has been approved by the Commission. We intend to submit our programme to the Commission very soon and hope that approval will follow shortly. Preparation of the programme has taken some time because we have had to assemble a great deal of information about it and to ensure that it is consistent with other related proposals.

FOREIGN AND COMMONWEALTH AFFAIRS

European Convention on Human Rights (Proceedings)

Mr. Grylls asked the Lord Privy Seal how many extensions of time or adjournments were requested by Her Majesty's Government in relation to the proceedings that were brought against the Government under the European Convention on Human Rights by Messrs Young, Webster and James; and what were the reasons for those requests being made.

Mr. Humphrey Atkins: Between the time these applications were first filed at the European Commission of Human Rights in 1976 and 1977 and the date the present Administration took office in May 1979, the last Administration requested and obtained from the Commission, on three separate occasions, an extension of time for the submission of written pleadings. The last Administration also made one request for an adjournment of a hearing before the Commission because it was due to take place only one day after the General Election. The present Administration cannot answer for the last Administration's conduct of these cases.

agencies and Church agencies. As a result of this decision, there is up to 35 mecu (approximately £19 million) available for this purpose of which the Commission is putting forward a proposal for the early allocation of 8 mecu (approximately £4.5 million).

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—living away from home	£28·10 a week
(b) Students of 18 or over	
—living at home	£17·05 a week
—living away from home	£28·10 a week

In addition, a personal expense allowance of £9·15 a week is payable to students of 18 or over during term-time, and a vacation allowance of £21·15 a week during the Christmas and Easter vacations

Local Authorities (Insurance Cover)

Mr. Craigen asked the Secretary of State for Scotland what is the current practice by regional, island, and district authorities in Scotland in respect of insurance cover for fire, flood, wind or landslip damages to their properties, whether housing, commercial or any other type; and what guidance his Department gives to local authorities over whether they should insure or act as their own insurers, in view of the premium costs involved.

Mr. Rifkind: Insurance practice varies widely but



10 DOWNING STREET

From the Private Secretary

5 February 1982

ds

cc	HO	LPO	DOE
	LCO	MOD	CO
	FRO	DOT	
	HMT	MAFF	
	CAZ	D/N	
		DHSS	

Poland: British Measures on Poland and the Soviet Union

The Prime Minister has seen your letter of 4 February enclosing the text of the statement which the Lord Privy Seal intends to use as a Written Answer to a Parliamentary Question today. As I told you on the telephone, the Prime Minister is content with this Answer subject to some minor drafting changes affecting paragraph 1 and paragraphs 2(ii) and (iv) which I described to you on the telephone.

I am sending copies of this letter to the Private Secretaries to Members of OD, Robert Lowson (MAFF), Julian West (Energy), David Clark (DHSS), David Edmonds (Environment) and David Wright (Cabinet Office).

A. J. COLES

M.A. Arthur, Esq.,
Lord Privy Seal's Office.

ds

GPS-800
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FM UKREP BRUSSELS 041655Z FEB 82

TO IMMEDIATE FCO

TELNO 437 OF 4 FEBRUARY

INFO PRIORITY UKDEL NATO WARSAW MOSCOW WASHINGTON ROME PARIS BONN
INFO SAVING BRUSSELS COPENHAGEN THE HAGUE LUXEMBOURG ATHENS

COREPER (AMBASSADORS): 4 FEBRUARY

POLAND

SUMMARY

1. FRENCH LIFTED THEIR RESERVE ON PROPOSED UPGRADING OF SOVIET UNION IN OECD EXPORT CREDIT CONSENSUS. TO 11 FEBRUARY COUNCIL AS AN 'A' POINT.

2. WORKING GROUP TO REPORT NEXT WEEK ON POSSIBLE TRADE MEASURES AGAINST THE SOVIET UNION. AIM WILL BE TO PRESENT MINISTERS ON 22 FEBRUARY WITH A LIMITED RANGE OF OPTIONS FOR DECISION.

DETAIL

HUMANITARIAN AID

2. AGREEMENT IN PRINCIPLE TO COMMISSION PROPOSAL FOR 8 MILLION ECU EMERGENCY HUMANITARIAN AID, SUBJECT TO EXAMINATION BY GROUP OF THE DETAILS. BUDGET COMMITTEE TO AGREE NECESSARY TRANSFER OF FUNDS ON 9 FEBRUARY. FORMAL APPROVAL BY FOREIGN AFFAIRS COUNCIL ON 22 FEBRUARY.

EXPORT CREDITS

3. FRANCE LIFTED ITS RESERVE ON THE PROPOSED UPGRADING OF THE SOVIET UNION IN THE OECD EXPORT CREDIT CONSENSUS, WHILE MAKING A STATEMENT FOR THE MINUTES TO THE EFFECT THAT THIS DID NOT PRE-EMPT ITS POSITION WHEN INSTRUCTIONS TO THE COMMISSION ON THE MORE GENERAL ISSUE OF CHANGES TO THE OECD CONSENSUS WERE DEBATED. I ASKED FOR AN OBTAINED CONFIRMATION THAT THIS OPENED THE WAY FOR EARLY ACTION IN THE OECD ON THE SOVIET ASPECT AS A SEPARATE EXERCISE. PRESIDENCY SAID THAT THE MATTER SHOULD NOW GO TO THE NEXT COUNCIL AS AN 'A' POINT. THIS LED TO A BRISK EXCHANGE BETWEEN FRANCE AND GREECE ON WHETHER OR NOT A VOTE HAD ACTUALLY BEEN TAKEN AT THE FOREIGN AFFAIRS COUNCIL ON 26 JANUARY. PRESIDENCY QUELLED FURTHER DISCUSSION BY INSISTING THAT TINDEMANS HAD CONFIRMED AT THE JANUARY COUNCIL THAT THE CONDITIONS EXISTED FOR A DECISION TO BE TAKEN. IN SUBSEQUENT DISCUSSION OVER LUNCH, NOTERDAEME CONFIRMED HIS INTENTION TO HAVE THE DECISION ADOPTED AS AN 'A' POINT BY THE COUNCIL ON 11 FEBRUARY, WITH THE NEGATIVE POSITION OF GREECE FIRMLY RECORDED. THIS APPEARED TO BE ACCEPTED BY ALL.

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/TRADE

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TRADE POLICY MEASURES AGAINST THE SOVIET UNION

4. NOTERDAEME (CHAIRMAN) CALLED FOR WORK ON POSSIBLE COMMERCIAL MEASURES AGAINST THE SOVIET UNION TO BE SPEEDED UP. THE WORKING GROUP'S TASK WAS NOT TO REVISE THE WHOLE OF THE COMMUNITY'S COMMERCIAL POLICIES VIS-A-VIS THE SOVIET UNION, BUT TO IDENTIFY A LIMITED RANGE OF POSSIBLE MEASURES WHERE THE COMMUNITY COULD TAKE ACTION WITHOUT DAMAGE TO ITS OWN INTERESTS. IDENTIFYING POSSIBLE MEASURES WOULD NOT PREJUDICE MINISTERS' RIGHT OF DECISION AT THE COUNCIL ON 22 FEBRUARY. MEMBERS OF THE WORKING GROUP SHOULD BE INSTRUCTED TO ALLOW MATTERS TO MOVE FORWARD. RUTTEN (NETHERLANDS), EXPRESSED DOUBTS ABOUT GOING TO THE COUNCIL ON 22 FEBRUARY. HIS UNDERSTANDING WAS THAT WE WERE ONLY STUDYING MEASURES TO BE TAKEN IF THINGS GOT WORSE. NOTERDAEME AND I MADE CLEAR THAT THAT WAS NOT OUR VIEW. I SAID THAT COREPER MUST SOON HAVE A THOROUGH DISCUSSION. THERE WOULD BE A REAL RISK TO COMMUNITY INTERESTS IF NO AGREEMENT COULD BE REACHED ON MEASURES ON 22 FEBRUARY. WE MUST BE ABLE TO OFFER THE AMERICANS SOME COMMUNITY ACTION ON SOVIET EXPORTS IF THOSE IN WASHINGTON WHO WANTED TO WORK WITH THE COMMUNITY WERE TO WIN THE DAY. RUGGIERO (ITALY) SUGGESTED THAT THE AMERICANS WERE TRYING TO BLOCK THE SOVIET PIPELINE DEAL. I SAID THAT I DID NOT BELIEVE THAT THOSE WHO WANTED TO USE THE POLISH ISSUE TO BLOCK THE PIPELINE NECESSARILY HAD THE UPPER HAND. THERE WAS STILL REASON TO HOPE THAT SOMETHING COULD BE WORKED OUT WITH THE AMERICANS TO AVOID COMPLICATIONS TO EXISTING CONTRACTS. THE PRESIDENCY WOULD NEED A COHERENT POSITION FOR THEIR VISIT TO WASHINGTON ON 16 FEBRUARY. IT WAS MORE IMPORTANT THEREFORE THAT COREPER SHOULD START NEXT WEEK TO PREPARE FOR DECISIONS TO BE TAKEN AT THE COUNCIL ON 22 FEBRUARY, EG ON QRS ON MANUFACTURED GOODS UNDER A COMMUNITY UMBRELLA. IT WOULD NOT BE ESSENTIAL FOR THE GREEKS TO JOIN IN SUCH ACTION. I THEREFORE STRONGLY SUPPORTED THE NEED FOR THE GROUP TO PRODUCE A LIMITED RANGE OF OPTIONS SOON. RUGGIERO DOUBTED WHETHER PROGRESS COULD BE MADE IN THE GROUP WHILE SO MANY DELEGATIONS HAD POLITICAL RESERVATIONS. RUTTEN SUGGESTED THAT THE PRESIDENCY MIGHT HAVE TO DRAW CERTAIN CONCLUSIONS ON ITS OWN RESPONSIBILITY FROM THE WORK OF THE GROUP FOR SUBMISSION TO MINISTERS.

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5. NOTERDAEME CONCLUDED THAT THE GROUP SHOULD SET DOWN A LIMITED NUMBER OF OPTIONS, BUT NOT TRY TO COVER THE WHOLE FIELD. COREPER SHOULD CONSIDER THE MATTER AGAIN NEXT WEEK IN PREPARATION FOR THE PRESIDENCY VISIT TO WASHINGTON.

FCO ADVANCE TO:

FCO - BRIDGES, BULLARD, EVANS, GOODISON, HANNAY, CROWE, GREEN
BROOKFIELD, MS YOUNG

CAB - JOHNSTON

DOT - CORLEY

MAFF - PARKHOUSE

TSY - MOUNTFIELD

FCO PASS SAVING TO:

COPENHAGEN THE HAGUE DUBLIN LUXEMBOURG ATHENS

BUTLER

(REPEATED AS REQUESTED)

(ADVANCED AS REQUESTED)

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MR CAINE } OT DOT
MR CORLEY
MR POWNALL
MR PARKHOUSE MAFF
MR MOUNTFIELD TREASURY

3

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Poland

Mr Bowley
Parliamentary Unit

[Handwritten mark]

POLAND: MEASURES AGAINST THE USSR

1. I understand that this morning's Cabinet meeting did not come to a final decision on whether we should give notice of termination of the Anglo/Soviet Maritime Treaty, pending further consideration of the Department of Trade's views. It will not, therefore, be possible for the Prime Minister to indicate in Supplementaries this afternoon that a final decision has been taken one way or the other.

2. The attached Supplementary is still subject to final clearance by the Department of Trade, which I will telephone through to you when I have obtained it. But given the pressures of time I thought it useful to let you have it on a contingency basis meanwhile.

[Handwritten signature]

J W D Gray
Maritime, Aviation and
Environment Department

4 February 1982
Lord Bridges
Copied to Mr R Smith EESD
Mr Green ERD

(Side copy to Mr Adams)

PS Since drafting the above I have been told by the Dept of Trade that they can accept the wording proposed in the attached Supplementary.

[Handwritten signature]



Supplementary

ANGLO/SOVIET MARITIME TREATY

1. Are you terminating this Treaty?

We are reviewing our maritime arrangements with the USSR.

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Copies to Mr Lord
Mr Ingham
Mr Carrington



Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

Approve the attached
Answer?

4 February 1982

M.A.
4.2.82

Dear John

POLAND: BRITISH MEASURES ON POLAND AND THE SOVIET UNION

In her Written Answer today to Mr Major the Prime Minister said that the House would be informed as soon as possible of the measures being taken by Her Majesty's Government on Poland and the Soviet Union following the North Atlantic Council Meeting on 3 February.

I enclose the text of the statement which the Lord Privy Seal intends to use as a Written Answer to a Parliamentary Question on 5 February. Lord Trefgarne will use the same text in a Written Answer in the Lords on 8 February.

The terms of the reference to the renegotiation of the Merchant Navigation Treaty reflect a compromise between the conflicting views of FCO and DOT Ministers on the question of terminating the Treaty (Mr Rees letter of 3 February to Lord Carrington). The Lord Privy Seal believes it is important for the answer to be given tomorrow in order for it to be public before the weekend.

I am sending copies of this letter to the Private Secretaries of Members of OD, to Robert Lawson (MAFF), Julian West (Energy), David Clarke (DHSS), David Edmonds (Environment) and David Wright (Cabinet Office).

Yours ever

M A Arthur

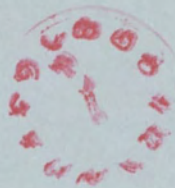
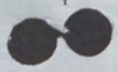
M A Arthur
PS/Lord Privy Seal

A J Coles Esq
10 Downing Street
London SW1

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Federal Bureau of Investigation

Washington, D.C. 20535



F-4 FEB 1982

DRAFT WRITTEN ANSWER

1. In her Written Answer to the Hon. Member for Huntingdonshire on 4 February, My Rt. Hon. Friend the Prime Minister explained the position reached in discussion in the North Atlantic Council following the Declaration issued by NATO Foreign Ministers on 11 January. The Prime Minister stated that at the meeting of the North Atlantic Council on 3 February it was agreed to pursue and as necessary strengthen actions along the lines set out in the 11 January Declaration. She ~~also stated that~~ ^{understands to give details} the House would be informed as soon as possible of the measures being taken by Her Majesty's Government. ~~I now wish to inform the House that~~ these measures are as follows.

2. With respect to Poland, Her Majesty's Government:

- i. have imposed travel restrictions on Polish diplomats and certain other official Polish representatives in London and Glasgow;
- ii. will ensure that ~~the quality of~~ their relations with the military régime in Poland reflects the abnormal nature of the present situation;
- iii. have increased BBC broadcasts in the Polish language to Poland;
- iv. will ~~contribute~~ ^{help} ~~towards~~ ^{financially and in other ways} the coordination of the efforts of the voluntary and Church agencies in Britain in providing humanitarian aid to Poland;
- v. have agreed with other Western official creditors that the question of rescheduling of Poland's

/1982

- 1982 official debts should, for the time being, be held in suspense;
- vi. have placed in abeyance existing officially guaranteed credits to Poland subject to safeguarding the interests of British firms having legally binding contractual obligations;
 - vii. will not for the present make available any new credits for Poland;
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3. With respect to the Soviet Union Her Majesty's Government:
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in UK waters;

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the terms of the Anglo/Soviet Treaty on Merchant
Navigation]
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of trade policy measures regarding Soviet exports
to the Community.

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/in UK

in UK waters;

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the terms of the Anglo/Soviet Treaty on Merchant
Navigation]

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within the OECD export credit consensus (on which
we expect early agreement in the Community) and
of trade policy measures regarding Soviet exports
to the Community.

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FM WARSAW 031600Z FEB 82

TO PRIORITY FCO

TELNO 204 OF 3RD FEBRUARY 1982

INFO ROUTINE: MOSCOW, WASHINGTON, UKDEL NATO

INFO SAVING= EAST BERLIN, SOFIA, BELGRADE, BUCHAREST, BUDAPEST,
HELSINKI, STOCKHOLM, UKMIS NEW YORK, UKREP BRUSSELS, PARIS,
BONN AND MODUK.POLISH FOREIGN POLICY.

1. WIEJACZ, VICE MINISTER FOR FOREIGN AFFAIRS, KARAS VICE MINISTER FOR FOREIGN TRADE AND URBAN THE GOVERNMENT PRESS SPOKESMAN GAVE A PRESS CONFERENCE YESTERDAY. ALTHOUGH NOTHING PARTICULARLY NEW EMERGED, WHAT THEY SAID GIVES AN INSIGHT INTO CURRENT GOVERNMENT PRIORITIES, PARTICULARLY IN THE FOREIGN TRADE FIELD.

2. WIEJACZ BEGAN BY SAYING THAT THE LAST YEAR HAD SEEN A DECREASE IN POLAND'S INTERNATIONAL SIGNIFICANCE AND CREDIBILITY DUE TO THE DOMESTIC CRISIS. POLAND WOULD CONTINUE THE TRENDS OF HER FORMER FOREIGN POLICY, WHICH WAS BASED ON A STRIVING FOR DETENTE, DISARMAMENT AND IMPROVED RELATIONS WITH ALL COUNTRIES AS WELL AS A CONSOLIDATED RELATIONSHIP WITH THE USSR AND OTHER SOCIALIST COUNTRIES. POLAND WAS AWARE THAT SHE WAS FACING AN AGGRAVATED INTERNATIONAL SITUATION AND THAT THE CRISIS WAS BEING USED BY THE UNITED STATES TO LAUNCH A GLOBAL CONFRONTATION WITH COMMUNISM.

3. WIEJACZ WENT ON TO SAY THAT US MEASURES WOULD NOT PRODUCE THE RESULTS THAT THE US GOVERNMENT EXPECTED. POLAND WOULD SOLVE HER OWN INTERNAL PROBLEMS. IT WAS NOT THE POLISH CRISIS BUT IMPERIALIST STRATEGY THAT HAD AGGRAVATED THE INTERNATIONAL SITUATION. THE WEST HAD WANTED POLITICAL CHANGES IN POLAND TO SERVE AS THE BEGINNING OF THE DISINTEGRATION OF THE SOCIALIST SYSTEM.

4. WIEJACZ SAID THAT POLAND WAS GRATEFUL TO THOSE WESTERN COUNTRIES WHO WERE TAKING A REALISTIC ATTITUDE TO POLAND'S CRISIS.

5. KARAS SAID THAT POLAND'S ECONOMIC RELATIONS WITH THE WEST HAD BECOME MORE COMPLICATED FOLLOWING WESTERN RESTRICTIONS. POLISH FOREIGN TRADE POLICY WITH WESTERN COUNTRIES WOULD AIM TO ACHIEVE A GOOD LEVEL OF EXPORTS, IMPORT NECESSARY RAW MATERIALS, REPAY POLAND'S DEBTS AND GAIN NEW CREDITS. BUT ALL THESE TASKS HAD NOW RUN INTO NEW OBSTACLES, NAMELY US, NATO AND EC REFUSAL TO REFINANCE POLISH DEBTS AND TO HOLD CREDITS TO POLAND. DOMESTIC CONSUMPTION AND IMPORTS HAD TO BE CUT AND, BECAUSE 70% OF POLISH INDUSTRY WAS DEPENDENT ON SUPPLIES FROM THE WEST, THIS WOULD HAVE A BAD EFFECT ON EXPORTS WHICH WERE ALREADY DECLINING. EXPORTS TO THE WEST IN 1981 WERE 73% OF THE 1980 FIGURES.

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6. KARAS DESCRIBED THE EFFECTS OF US SANCTIONS AS PAINFUL. THE SUSPENSION OF AMERICAN CREDITS FOR IMPORTS OF FARM PRODUCE MEANT THAT POLAND WOULD BE UNABLE TO PURCHASE DOLLARS 740M WORTH OF AMERICAN FOOD SUPPLIES. THE SHORTAGE OF CORN WOULD PARALYSE CHICKEN PRODUCTION AND LEAD TO A DECREASE IN MARKET SUPPLIES OF MEAT OF 250,000 TONS. SUSPENSION OF EXTRA CREDITS WOULD AFFECT INDUSTRIAL CO-PRODUCTION AND POLISH EXPORTS.

7. KARAS SAID THAT POLAND WANTED TO SOLVE HER DEBT PROBLEMS BY NEGOTIATION BUT COULD NOT BEAR RESPONSIBILITY FOR OTHER SOLUTIONS THAT WERE IMPOSED ON HER. HE WENT ON TO SAY THAT HUMANITARIAN AID GIVEN BY THE EC WAS RELATIVELY SMALL.

8. BOTH KARAS AND WIEJACZ SAID THAT POLAND HAD MET WITH UNDERSTANDING FROM THE SOVIET UNION AND OTHER SOCIALIST COUNTRIES. SOME THIRD WORLD COUNTRIES WERE ALSO SHOWING UNDERSTANDING AND INCREASING MUTUAL TRADE. EXPORTS TO THIRD WORLD COUNTRIES HAD INCREASES SLIGHTLY IN 1981. BUT IN THE PURELY ECONOMIC SPHERE, THE SOCIALIST AND THIRD WORLD COUNTRIES WERE UNABLE TO MAKE UP FOR LOSSES CAUSED BY US AND OTHER WESTERN SANCTIONS.

FCO PLEASE PASS SAVING TO ALL SAVING ADDRESSEES

MELHUI SH

(REPEATED AS REQUESTED)

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Foreign and Commonwealth Office

London SW1A 2AH

3 February 1982

Dear John

POLAND

In your letter of 3 February you recorded Ministerial agreement that Parliament should be informed of the public position taken by Britain at the North Atlantic Council on 3 February. This should, if possible, be done by a Written Answer. Mr John Major MP has already put down a question to the Prime Minister for answer tomorrow.

We have now had a brief initial report of the Meeting and the guidelines agreed for use by the NATO spokesman. I enclose the text. Although it would be desirable to make a full statement tomorrow we do not yet have a full account of what went on at the NAC Meeting and are not therefore in a position to take decisions on outstanding points like the Anglo/Soviet Treaty on Merchant Navigation. The Lord Privy Seal thinks it wise to give ourselves another twenty-four hours to tie up any remaining loose ends and to make a detailed public statement in answer to a Written Parliamentary Question on 5 February. Our information from Brussels is that none of our partners is likely to make a national statement tomorrow and that indeed if we were to make ours on 5 February we would still be among the first to give public support to the Americans.

I enclose a draft Answer to the Prime Minister's Question on Poland which foreshadows a Written Answer on 5 February by the Lord Privy Seal and should therefore allay any concern in Parliament that we are prevaricating.

I am sending copies of this letter to the Private Secretaries who received your letter and to David Wright.

Yours ever

Michael Arthur

M A Arthur
PS/Lord Privy SealA J Coles Esq
10 Downing Street
London SW1

Prime Minister (has seen MP)
The attached Question is (about)
No 9 to you tomorrow. Whilst this
formula may do for that purpose, you
will still need full briefing in case
the issue is raised earlier. Would it not
be better to say a bit more
in that answer?
MAJ



PARLIAMENTARY QUESTION

THURSDAY, 4 FEBRUARY 1982

Mr John Major (Huntingdonshire): To ask the Prime Minister if she will make a further statement on the current situation in Poland following the communiqué issued by the Foreign Ministers of the EEC at their meeting in Brussels on 4 January.

DRAFT REPLY

The North Atlantic Council considered the situation in Poland at their meeting in Brussels on 3 February. They concluded that political repression in Poland had increased and that there was no sign of a reduction in Soviet pressure. It was agreed that Allied Governments would announce individually the measures they would take to implement the NATO Ministerial Declaration of 11 January. ~~The House will be informed tomorrow in a Written Answer~~ of the measures being taken by Her Majesty's Government.

to be given as soon as possible.

mt

POLAND : ADVANCE COPIES 34

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MR EVANS
MR WRIGHT
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} OT/DOT

* For TYPISTS (IX)

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FM UKDEL NATO 031815Z FEB 82

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,

TELEGRAM NUMBER 073 OF 3 FEBRUARY 1982,

INFO IMMEDIATE BANGKOK (FOR PRIVATE SECRETARY),

INFO PRIORITY WASHINGTON, BONN, MOSCOW,

INFO SAVING ALL OTHER NATO POSTS, DUBLIN, UKREP BRUSSELS, WARSAW,
WELLINGTON, CANBERRA, TOKYO, MADRID, UKMIS NEW YORK, UKMIS GENEVA.

MY TELNO 069: NORTH ATLANTIC COUNCIL: 3 FEBRUARY: POLAND.

1. FOLLOWING IS A SUMMARY OF NEW POINTS IN THE DISCUSSION CONCERNING MEASURES IN RESPECT OF THE SOVIET UNION. OTHER SPEAKERS REHEARSED MEASURES ALREADY DESCRIBED TO THE ALLIANCE.

2. MATTHIAS (FRG) SAID THAT THE FRG WAS PREPARED TO TAKE THE FOLLOWING MEASURES IN THE ECONOMIC FIELD:

(A) NEGOTIATIONS ON A GENERAL AGREEMENT ON SCIENCE AND TECHNOLOGY (AGREED DURING BREZHNEV'S VISIT) WOULD BE POSTPONED. TOGETHER WITH THOSE ON ASSOCIATED SECTORAL SUB-AGREEMENTS.

(B) SUSPENSION OF ALL GOVERNMENT FINANCED COOPERATION BETWEEN SOVIET AND FRG RESEARCH INSTITUTES:

(B) SUSPENSION OF ALL GOVERNMENT FINANCED COOPERATION BETWEEN SOVIET AND FRG RESEARCH INSTITUTES:

(C) SUSPENSION OF NEGOTIATIONS FOR AGREEMENTS ON OCEAN-SHIPING AND INLAND WATERWAYS:

(D) THE SOVIET/FRG AGREEMENT ON ECONOMIC COOPERATION WOULD BE INTERPRETED RESTRICTIVELY ALTHOUGH THIS WOULD DISADVANTAGE THE FRG:

(E) FRG WOULD PARTICIPATE IN MEASURES AGREED BY THE COMMUNITY.

3. MATTHIAS SAID THAT THESE STEPS WOULD STRAIN THE FRG'S ECONOMIC RELATIONS WITH THE SOVIET UNION. HE ASSUMED THAT COMPARABLE STEPS WOULD BE TAKEN BY OTHERS. HE STRESSED THE IMPORTANCE OF EQUITABLE BURDEN-SHARING AND THE NEED TO INVOLVE OTHER INDUSTRIALISED COUNTRIES OUTSIDE THE 15 IN MEASURES. HE ALSO DREW ATTENTION TO THE NEED TO RESOLVE THE PROBLEMS OF NON-UNDERMINING.

4. ATTOLICO (ITALY) SAID THAT IT WAS NECESSARY TO CONVEY A CLEAR AND UNEQUIVOCAL MESSAGE TO THE SOVIET UNION. ITALY HAD DECIDED TO PLACE ITS RELATIONS, INCLUDING ECONOMIC RELATIONS, WITH THE SOVIET UNION ON A DIFFERENT FOOTING. IN GENERAL THERE WOULD BE A SLOWING DOWN AND DOWN-GRADING OF THE LEVEL OF ECONOMIC OFFICIAL CONTACTS WITH THE SOVIET UNION. THIS HAD ALREADY BEEN IMPLEMENTED IN THE CASE OF SEVERAL COOPERATION AGREEMENTS, WHERE MEETINGS HAD BEEN POSTPONED. ITALY WAS READY TO RE-NEGOTIATE AGREEMENTS, INCLUDING MARITIME AGREEMENTS, WHERE THE RESULTS PARTICULARLY FAVOURED THE SOVIET UNION. IT WAS PREPARED TO PURSUE DISCUSSION ON RESTRICTING CREDIT TO THE SOVIET UNION IN THE APPROPRIATE FORA. HE SHARED THE CONCERNS ALREADY EXPRESSED ABOUT INVOLVING OTHER OECD NATIONS AND RESOLVING THE NON-UNDERMINING ISSUE.

5. VIBE (NORWAY) SAID NORWAY WAS PREPARED TO SUPPORT A MOVE IN THE OECD TO UP-GRADE THE SOVIET UNION FOR CREDIT PURPOSES.

6. SCHEFFER (NETHERLANDS) SAID THAT THE NETHERLANDS WOULD SUPPORT UP-GRADING OF THE SOVIET UNION IN THE OECD CREDIT CONSENSUS. INDEED THE NETHERLANDS WOULD PREFER THAT ANY UPGRADING APPLY NOT ONLY TO NEW CREDITS BUT ALSO TO EXISTING ONES. SHE WOULD ALSO EXAMINE ANY MFN ASPECTS OF AGREEMENTS WITH THE SOVIET UNION, AND THE EXPORT OF TECHNOLOGY, ALTHOUGH MFN ASPECTS WOULD HAVE TO BE CONSIDERED WITHIN THE BENELUX COUNTRIES AS A GROUP. HE WELCOMED THE RESULTS OF THE RECENT COCOM MEETING. THE NETHERLANDS WOULD COOPERATE IN IMPLEMENTING THE PROGRAMME ALREADY AGREED AND THOUGHT FURTHER DISCUSSION IN COCOM WOULD BE USEFUL.

COCOM WOULD BE USEFUL.

7. MERILLON (FRANCE) SAID THAT THE LIST OF SOVIET DIPLOMATS IN PARIS WOULD BE REVIEWED AND A STRICT BALANCE WOULD BE ENSURED IN SCIENTIFIC EXCHANGES WITH THE SOVIET UNION. AS REGARDS COCOM, FRANCE DID NOT REGARD THIS BODY AS AN APPROPRIATE INSTRUMENT FOR SHORT-TERM POLICY OR SANCTIONS. IT WAS IMPORTANT TO PRESERVE THE SPECIAL NATURE OF THE INSTITUTION. MERILLON UNDERLINED THE IMPORTANCE OF NON-UNDERMINING BUT ADDED THAT FRANCE WOULD NOT WISH TO SUSPEND CONTRACTS OR OPERATIONS WHERE FRANCE WOULD BE THE PRIME SUPPLIER.

8. MAWHINNEY (CANADA) SAID THAT NEGOTIATIONS WITH THE SOVIET UNION ON A PROGRAMME OF EXCHANGES (SCIENTIFIC, SPORTING ETC) WOULD BE SUSPENDED. A MEETING OF THE MIXED ECONOMIC COMMISSION WOULD BE POSTPONED. MINISTERIAL AND OFFICIAL CONTENTS WOULD BE SEVERELY RESTRICTED. AEROFLOT WOULD BE LIMITED TO THE PRESENT TWO FLIGHTS A WEEK TO CANADA. IT WAS IMPORTANT TO INVOLVE OTHER OECD COUNTRIES IN THESE MEASURES.

9. BJORNSSON (ICELAND) NOTED THAT THERE HAD BEEN A DELAY IN CARRYING OUT THE INTENDED ICELANDIC DEMARCHE IN MOSCOW.

10. VAN USSEL (BELGIUM), SPEAKING NATIONALLY, SAID THAT A SOVIET REQUEST TO OPEN A CONSULATE IN ANTWERP HAD BEEN SHELVED.

11. VILLAS-BOAS (PORTUGAL) SAID THAT THE PORTUGUESE GOVERNMENT HAD RECENTLY REFUSED TO ISSUE VISAS TO A SOVIET DELEGATION WISHING TO VISIT PORTUGAL AT THE INVITATION OF THE PORTUGUESE COMMUNIST PARTY. THIS HAD LED TO A FORMAL PROTEST IN MOSCOW BY THE SOVIET AUTHORITIES WHICH HAD BEEN REJECTED BY THE PORTUGUES.

FCO PLEASE PASS SAVING TO ANKARA, ATHENS, COPENHAGEN, THE HAGUE, LISBON, LUXEMBOURG, OSLO, OTTAWA, PARIS, REYKJAVIK, ROME, DUBLIN, WARSAW, WELLINGTON, CANBERRA, TOKYO, UKMIS NEW YORK, UKMIS GENEVA.

SCOTT.

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MR EVANS
MR WRIGHT
MR GILLMORE
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FM UKDEL NATO 031725Z FEB 82

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,

TELEGRAM NUMBER 072 OF 3 FEBRUARY 1982,

INFO PRIORITY BANGKOK (FOR PRIVATE SECRETARY), WARSAW, WASHINGTON,

INFO SAVING ALL OTHER NATO POSTS, DUBLIN, UKREP BRUSSELS, UKMIS

GENEVA, UKMIS NEW YORK, MOSCOW.

MY TELNO 069 : NORTH ATLANTIC COUNCIL: 3 FEBRUARY: POLAND.

1. FOLLOWING ARE THE NEW POINTS MADE IN DISCUSSION OF MEASURES IN RESPECT OF POLAND. FOR THE REST, DELEGATIONS REPEATED THE POSITIONS TAKEN ON 23 JANUARY AND REFERRED TO ACTIONS TAKEN IN THE UN HUMAN RIGHTS COMMISSION AND IN SUPPORT OF THE ICRC.

2. VAN USSEL (BELGIUM) AS PRESIDENCY, REPORTED DEMARCHES UNDERTAKEN IN WARSAW, ON BEHALF OF THE TEN, TO PROTEST AT THE RESTRICTIONS PLACED ON EMBASSIES, AND THE COMMUNITY'S DECISION TO STOP THE SPECIAL COMMUNITY FOOD SALES TO POLAND. A DECISION ON HUMANITARIAN ASSISTANCE TO POLAND WOULD PROBABLY BE TAKEN BY COMMUNITY MINISTERS ON 22 FEBRUARY.

ON 22 FEBRUARY.

3. WIECK (GERMANY) SAID THAT THE DIALOGUE WITH THE POLES SHOULD CONTINUE SO THAT WESTERN CONCERNS COULD CONTINUE TO BE MADE KNOWN TO THEM. INSTRUCTIONS HAD BEEN SENT TO AMBASSADORS IN WARSAW, MOSCOW, NNA CAPITALS AND SOME THIRD WORLD CAPITALS TO CARRY OUT DEMARCHES AT MINISTERIAL LEVEL TO MAKE KNOWN ALLIED VIEWS ON POLAND. MATTHIAS ADDED THAT GERMANY CONTINUED TO SUPPORT THE DECISIONS TO SUSPEND COMMERCIAL CREDIT FOR POLAND AND THE NEGOTIATIONS ON DEBT RESCHEDULING.

4. TORNETTA (ITALY) SAID THAT RESTRICTIONS ON THE MOVEMENT OF POLISH DIPLOMATS IN ITALY HAD NOW BEEN INTRODUCED ON THE LINES INDICATED AT THE NAC ON 23 JANUARY.

5. VIBE (NORWAY) SAID THAT GOVERNMENT SUPPORT FOR NORWEGIAN PARTICIPATION IN TRADE FAIRS IN POLAND (GDANSK AND POZNAN) WOULD BE FROZEN. NO OFFICIAL NORWEGIAN DELEGATION WOULD ATTEND THE POZNAN FAIR.

6. MERILLON (FRANCE) REFERRED TO THE TRAVEL RESTRICTION OF 40 KILOMETRES IMPOSED ON POLISH MILITARY ATTACHES. THIS MIGHT BE EXTENDED TO DIPLOMATS. THE LIST OF POLISH DIPLOMATS IN PARIS WOULD BE REVIEWED. A STRICT BALANCE OF SCIENTIFIC EXCHANGES WITH POLAND WOULD BE ENSURED. EFFORTS WOULD BE MADE TO ENSURE THAT AGRICULTURAL AND FOOD PRODUCE PROVIDED TO POLAND ON CREDIT WOULD REACH THE POLISH POPULATION. DISCUSSIONS WERE TAKING PLACE WITH LOT ABOUT THE PRESENT LEVEL OF QUOTE HUMANITARIAN UNQUOTE FLIGHTS FROM WARSAW. NON-PARTICIPATION IN THE POZNAN FAIR WOULD BE CONSIDERED. THE FRANCO/POLISH FISHERIES PROTOCOL HAD NOT APPLIED FOR THE LAST YEAR.

7. MAWHINNEY (CANADA) SAID THAT ON HUMANITARIAN GROUNDS FOOD SHIPMENTS TO POLAND WOULD CONTINUE. PROGRAMME OF CANADIAN/POLISH ACADEMIC EXCHANGES WOULD BE SUSPENDED. IF RESTRICTIONS ON CANADIAN DIPLOMATS IN WARSAW WERE NOT LIFTED, RECIPROCAL RESTRICTIONS ON POLISH DIPLOMATS WOULD BE INTRODUCED ON 15 FEBRUARY. REFERRING TO CANADA'S ROLE IN YESTERDAY'S DEBATE IN THE CHR, HE SAID IT MIGHT BE A PREVIEW OF THE EASTERN APPROACH AT MADRID. CANADA WOULD UNDERTAKE DEMARCHES IN WARSAW, MOSCOW, AND SOME NNA CAPITALS. IT WOULD SUPPORT THE INTERNATIONAL EFFORTS TO RESETTLE POLISH REFUGEES. COMMERCIAL CREDIT EXCEPT FOR FOOD HAD BEEN SUSPENDED. LOT FLIGHTS TO CANADA WOULD BE RESTRICTED TO TWO A WEEK.

8. BJORNSSON (ICELAND) SAID THAT A SIZEABLE GOVERNMENT GRANT

8. BJORNSSON (ICELAND) SAID THAT A SIZEABLE GOVERNMENT GRANT TOWARDS HUMANITARIAN ASSISTANCE FOR POLES HAD BEEN PROVIDED.

9. KIMBERG (DENMARK) SAID THAT A SESSION OF THE DANISH/POLISH JOINT COMMISSION SCHEDULED FOR JANUARY HAD BEEN CANCELLED. 9 MILLION KRONER HAD BEEN PROVIDED TO DANISH AGENCIES FOR HUMANITARIAN ASSISTANCE FOR POLES. THE QUALITY OF RELATIONS WITH THE MILITARY REGIME IN POLAND HAD BEEN RESTRICTED (HE SAID THIS DID NOT MEAN A DOWN-GRADING OF THE DANISH EMBASSY IN WARSAW AS HIS REMARKS ON 23 JANUARY MIGHT HAVE IMPLIED).

FCO PLEASE PASS SAVING TO ANKARA, ATHENS, BONN, COPENHAGEN, THE HAGUE, LISBON, LUXEMBOURG, OSLO, OTTAWA, PARIS, REYKJAVIK, ROME, DUBLIN, UKMIS GENEVA, UKMIS NEW YORK, MOSCOW.

SCOTT.

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FM UKDEL NATO 031840Z FEB 82

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,

TELEGRAM NUMBER 071 OF 3 FEBRUARY 1982,

INFO SAVING BONN, ROME, THE HAGUE, PARIS, WASHINGTON, REYKJAVIK.

MY TELNO 069 : NORTH ATLANTIC COUNCIL, 3 FEBRUARY: POLAND.

1. THE FOLLOWING ARE THE POINTS MADE IN DISCUSSION ON MARITIME/FISHING AGREEMENTS.
2. MATTHIAS (GERMANY) SAID THAT NEGOTIATIONS WITH THE SOVIET UNION FOR AGREEMENTS ON OCEAN SHIPPING AND INLAND WATERWAYS WOULD BE SUSPENDED.
3. ATTOLICO (ITALY) SAID THAT ITALY WAS READY TO RENEGOTIATE AGREEMENTS WITH THE SOVIET UNION EG. MARITIME AGREEMENTS, THE RESULTS OF WHICH PARTICULARLY FAVOURED THE SOVIET UNION.
4. SCHEFFER (NETHERLANDS) SAID THAT AS REGARDS NETHERLANDS/SOVIET TRANSPORTATION AGREEMENTS, THERE WERE NO AGREEMENTS WHICH WERE ON THE POINT OF BEING EXTENDED OR RENEGOTIATED. EXISTING AGREEMENTS REQUIRED 4 YEARS NOTICE OF TERMINATION SO THIS STEP WOULD HAVE

~~THE POINT OF BEING EXTENDED OR RENEGOTIATED.~~ EXISTING AGREEMENTS REQUIRED 1 YEARS NOTICE OF TERMINATION SO THIS STEP WOULD HAVE LITTLE IMMEDIATE IMPACT. THE NETHERLANDS WOULD IMPLEMENT ITS SHIPPING AGREEMENTS WITH THE SOVIET UNION VERY RESTRICTIVELY ESPECIALLY IN RESPECT OF NON-COMMERCIAL SHIPPING. REFERRING TO THE UK INTRODUCTION OF LICENSING ARRANGEMENTS FOR SOVIET FISH FACTORY SHIPS, SCHEFFER SPECULATED THAT SIMILAR ACTION BY OTHER COMMUNITY COUNTRIES MIGHT BE A POSSIBILITY.

5. MERILLON (FRANCE) SAID THAT AT THE LAST MEETING OF THE JOINT FRANCO/SOVIET COMMISSION, THE FRENCH HAD MADE THE POINT, FOR THE RECORD, THAT SHIPPING AND OTHER TRANSPORT AGREEMENTS SHOULD OPERATE ON A RECIPROCAL BASIS. THE FRANCO/SOVIET PROTOCOL ON FISHERIES WOULD BE RE-EXAMINED. REQUESTS FOR SOVIET AUXILIARY SHIPS TO VISIT FRENCH PORTS FOR REPAIRS WOULD BE REJECTED.

6. BJORNSSON (ICELAND) REPORTED THAT A SOVIET APPROACH ABOUT THE POSSIBILITY OF THREE SOVIET FACTORY SHIPS CARRYING OUT EXPERIMENTAL FISHING OFF ICELAND HAD BEEN REJECTED.

7. AT THE END OF THE MEETING HORMATS (US) HOPED THAT INDICATIONS BY OTHERS THAT THEY WOULD BE PREPARED TO CONSIDER ACTION IN THE MA^{RITIME} FIELD WOULD ENABLE THE UK TO TAKE THE ACTION WHICH BULLARD HAD CONDITIONALLY FORESHADOWED IN THIS FIELD. HE ALSO URGED ^{THE} FRENCH TO PURSUE THE AIM OF OBTAINING RECIPROCITY UNDER THEIR SHIPPING AGREEMENT WITH THE SOVIET UNION.

FCO PLEASE PASS SAVING TO BONN, ROME, THE HAGUE, PARIS, WASHINGTON, REYKJAVIK.

SCOTT.

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POLAND : ADVANCE COPIES 25

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MR EVANS
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MR GILLMORE
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} OT/DOT

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* FOR TYPISTS XI

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FM UKDEL NATO 031745Z FEB 82

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,

TELEGRAM NUMBER 070 OF 3 FEBRUARY 1982,

INFO PRIORITY BANGKOK (FOR PRIVATE SECRETARY), WASHINGTON,

INFO SAVING ALL OTHER NATO POSTS, DUBLIN, UKREP BRUSSELS, WARSAW,

MOSCOW, UKMIS NEW YORK, UKMIS GENEVA, TOKYO, MADRID, CANBERRA,

WELLINGTON.

NORTH ATLANTIC COUNCIL, 3 FEBRUARY: POLAND.

MIPT.

FOLLOWING IS TEXT OF BULLARD'S STATEMENT.

1. MY GOVERNMENT ATTACHES GREAT IMPORTANT TO THIS MEETING OF THE NORTH ATLANTIC COUNCIL.

2. AT THEIR MEETING IN THIS ROOM ON 11 JANUARY OUR FOREIGN MINISTERS STATED VERY CLEARLY THEIR VIEW OF THE EVENTS IN POLAND, THEIR EXPECTATIONS FOR THE FUTURE AND THEIR OWN INTENTIONS AS REGARDS FUTURE POLICY.

REGARDS FUTURE POLICY.

3. AS PREVIOUS SPEAKERS HAVE POINTED OUT, THESE EXPECTATIONS HAVE NOT BEEN FULFILLED. THE POLISH REGIME HAS NOT TAKEN ANY OF THE THREE STEPS LISTED IN PARA 5 OF OUR FOREIGN MINISTERS' DECLARATION (LIFTING OF MARTIAL LAW, RELEASE OF THOSE DETAINED AND RESUMPTION OF GENUINE DIALOGUE WITH THE CHURCH AND WITH SOLIDARITY). THE SOVIET UNION HAS NOT DESISTED FROM EXERCISING UPON POLAND THE DIRECT AND INDIRECT PRESSURE MENTIONED IN PARA 6 OF THE SAME DECLARATION.

4. IN THESE CIRCUMSTANCES, MY GOVERNMENT IS OF THE VIEW THAT THE TIME HAS COME FOR IT AND OTHER MEMBER GOVERNMENTS TO TAKE PRECISE AND CONCRETE DECISIONS ALONG THE LINES INDICATED IN THE SECOND PART OF THE DECLARATION OF 11 JANUARY, BEGINNING AT PARA 10.

5. THE MEETING OF THE NORTH ATLANTIC COUNCIL ON 23 JANUARY SERVED TO CLARIFY THE POSITIONS OF MEMBER GOVERNMENTS AS REGARDS NATIONAL POSSIBILITIES AND INTENTIONS. CLEARLY NOT ALL THE ALLIES CAN ACT IN PRECISELY THE SAME WAYS. BUT I JUDGE THAT THE SOVIET UNION HAS BEEN IMPRESSED AND DISAPPOINTED BY THE SOLIDARITY OF THE WEST AND THAT IT IS IMPORTANT TO PRESERVE THAT SOLIDARITY IN WHAT IS SAID BY ALL OF US TODAY AND IN WHAT IS DONE BY OUR GOVERNMENTS FOLLOWING THIS MEETING. ON THE ASSUMPTION THAT SINCE 23 JANUARY THE PROCESSES OF CONSULTATION WILL HAVE ADVANCED IN OTHER CAPITALS, AS THEY HAVE IN LONDON AND I GATHER IN BONN TOO, TO THE POINT WHERE GOVERNMENTS ARE READY TO ACT, I CAN TODAY LIST THE STEPS WHICH THE BRITISH GOVERNMENT HAS TAKEN OR INTENDS TO TAKE AND TO ANNOUNCE IN THE COMING DAYS.

6. THESE ARE:

(A) THE INTRODUCTION OF A RESTRICTION OF 25 MILES FROM THE CENTRES OF LONDON AND GLASGOW FOR TRAVEL WITHOUT NOTIFICATION BY MEMBERS OF THE POLISH EMBASSY, POLISH CONSULTES, LOT, POLISH CORRESPONDENTS, THE POLISH SHIPING COMPANY, GALL, AND THE POLISH CULTURAL INSTITUTE. EXCEPTIONS TO THIS WOULD REQUIRE SPECIAL PERMISSION WHICH WOULD ONLY BE GRANTED IN EXCEPTIONAL CASES. THE RESTRICTION IS INTENDED TO BE RECIPROCAL AND REVERSIBLE AS APPROPRIATE:

(B) THE ISSUING OF INTERNAL INSTRUCTIONS TO DOWNGRADE THE LEVEL/ NUMBER OF ANGLO/POLISH OFFICIAL CONTACTS:

(C) THE SIGNIFICANT REDUCTION FROM 35 TO 25 MILES OF THE TRAVEL FREE AREA FOR SOVIET OFFICIALS AND THEIR FAMILIES:

(D) CONTINUED DIPLOMATIC APPROACHES IN A NUMBER OF THIRD WORLD

(D) CONTINUED DIPLOMATIC APPROACHES IN A NUMBER OF THIRD WORLD AND OTHER CAPITALS TO PUT ACROSS THE WESTERN VIEW OF EVENT IN POLAND AND RESPONSIBILITY FOR THEM:

(E) UK COMMERCIAL CREDITS FOR POLAND, OTHER THAN FOR CONTRACTS ALREADY LEGALLY CONCLUDED, HAVE BEEN PLACED IN ABEYANCE:

(F) THE WESTERN CREDITORS GROUP FOR POLAND HAVE SUSPENDED NEGOTIATIONS ABOUT THE PAYMENTS DUE IN 1982 ON OFFICIAL DEBT:

(G) AS THE BELGIANS HAVE REPORTED, THE COMMUNITY IS CONSIDERING THE UP-GRADING OF THE SOVIET UNION IN THE OECD EXPORT CREDIT CONSENSUS AND ACTION ON SOVIET IMPORTS:

(H) THE UK IS PREPARED TO REDUCE, TO A MINIMAL LEVEL, ACTIVITIES UNDER THE 4 ANGLO/SOVIET TECHNICAL COOPERATION AGREEMENTS.

(I) THE UK WOULD BE READY, IN CONCERT WITH OTHERS, TO TAKE ACTION TO ELIMINATE THE IMBALANCE IN THE SOVIET/UK MARITIME FIELD, FOR EXAMPLE BY TERMINATING THE ANGLO-SOVIET TREATY ON MERCHANT NAVIGATION:

(J) AS FROM 1 FEBRUARY THE UK HAS INTRODUCED A LICENSING SYSTEM TO CONTROL THE ACTIVITIES OF SOVIET FACTORY SHIPS IN UK WATERS:

(K) HMG IS PARTICIPATING IN VARIOUS WAYS IN EFFORTS TO PROVIDE HUMANITARIAN ASSISTANCE TO THE POLISH PEOPLE. THESE INCLUDE A DIRECT FINANCIAL CONTRIBUTION TO THE ADMINISTRATIVE COSTS OF UK AGENCIES:

(L) THE UK IS CONSIDERING THE AUSTRIAN REQUEST FOR ASSISTANCE IN SETTLING POLES IN AUSTRIA. UK WISHES TO RESPOND AS SYMPATHETICALLY AS POSSIBLE IN CONCERT WITH ALLIES. WE WOULD LIKE TO LEARN ALLIES VIEWS ON WHETHER POLES INVOLVED QUALIFY FOR REFUGEE STATUS IN INTERNATIONALLY ACCEPTED USE OF TERM, AND ABOUT THEIR PROPOSED RESPONSES TO AUSTRIAN REQUEST:

(M) BBC POLISH SERVICE BROADCASTS HAVE BEEN INCREASED:

7. I MUST EMPHASISE THAT DECISIONS ON SOME OF THESE MEASURES HAVE NOT YET BEEN COMMUNICATED TO THOSE AFFECTED BY THEM AND HAVE NOT YET BEEN ANNOUNCED (AS THEY MUST BE) IN PARLIAMENT. IT FOLLOWS THAT ANYTHING SAID BY OUR SPOKESMAN TODAY CAN ONLY BE IN GENERAL TERMS SO FAR AS UK IS CONCERNED. BUT I HOPE I HAVE PROVIDED MATERIAL FOR

ANYTHING SAID BY OUR SPOKESMAN TODAY CAN ONLY BE IN GENERAL TERMS SO FAR AS UK IS CONCERNED. BUT I HOPE I HAVE PROVIDED MATERIAL FOR PARA 4 OF THE GUIDELINES WHICH IT IS PROPOSED THAT OUR SPOKESMAN SHOULD USE WITH THE PRESS AT THE END OF OUR MEETING. AS REGARDS THESE DRAFT GUIDELINES (CIRCULATED BY THE U S) I SHALL HAVE COMMENTS ON SOME POINTS OF DETAIL BUT THEY ARE VERY MUCH ON THE RIGHT LINES.

8. LASTLY I WOULD ENDORSE THE TWO POINTS MADE BY MATTHIAS (GERMANY) ABOUT THE IMPORTANCE OF ASSOCIATING GOVERNMENTS OTHER THAN THE 15 WITH THE MEASURES PROPOSED AND OF RESOLVING THE PROBLEMS OF NON-UNDERMINING.

FCO PLEASE PASS SAYING TO ANKARA, ATHENS, BONN, COPENHAGEN, THE HAGUE, LISBON, LUXEMBOURG, OSLO, OTTAWA, PARIS, REYKJAVIK, ROME, WARSAW, MOSCOW, UKMIS NEW YORK, UKMIS GENEVA, TOKYO, MADRID, CANBERRA, WELLINGTON, DUBLIN.

SCOTT.

NNNN

SENT/RECD AT 03/1824Z MNJ/MW

CONFIDENTIAL



From the
Minister for Trade

Rt Hon Lord Carrington PC KCMG MC
Secretary of State for Foreign &
Commonwealth Affairs
Whitehall
London SW1

Prime Minister
To note. Hon Secy Duty Clerk
3-2-82
DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

mt

3 February 1982

Am Wm

POLAND - TERMINATION OF ANGLO-SOVIET MARITIME AGREEMENT

I understand that our NATO spokesman has announced tonight agreement in the NAC that certain maritime agreements with the USSR are to be terminated, but without identifying Britain as one of the countries involved in this. This is in line with what was agreed at the Prime Minister's meeting yesterday afternoon.

I also understand however that this aspect of the matter may be discussed further at Cabinet tomorrow; and that it may be suggested that the UK should identify itself as resolved to denounce the Anglo Soviet Treaty on Merchant Navigation independently of its Allies.

I am therefore minuting you in John Biffen's absence abroad, in order to ensure that there is no misunderstanding in Cabinet as to the effects of such action. These effects are summarised in the Annex to this minute. Denouncing this Treaty would not affect the imbalance in carryings between ourselves and the USSR because the Treaty does not provide for the volume of shipping services in either direction. It would however free the Soviets' hands to take discriminatory action against British ships and British seamen in their ports, although this could lead to retaliatory action by the UK against their ships, but not against their seamen, if we were prepared to go that far. It would also go beyond the action taken by the US in this field, who have simply allowed their maritime agreement with the Soviets to lapse by 31 December 1981 without closing the option of renewing it later.

.../...

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Colleagues will wish to weigh these consequences before deciding to go beyond what we have already agreed.

I am copying this letter to the Prime Minister and the other members of the Cabinet, and Sir Robert Armstrong.

Peter Rees

PETER REES

CONFIDENTIAL



TERMINATION OF THE ANGLO-SOVIET MARITIME AGREEMENT

1 The Anglo-Soviet Maritime Agreement, besides committing both parties to follow the principles of free and fair competition in international shipping, provides the following safeguards for British shipping and British seafarers in the Soviet Union:-

(a) it affords to the vessels of both parties free access to their ports on the same basis as to the vessels of any third country. In theory since the volume of traffic is in favour of the Russians / ^{termination} should tell against them but of course it assumes that the UK would be prepared to take retaliatory action under the Merchant Shipping Act 1974.

(b) it affords equal treatment to the seamen of both parties in their ports. The removal of this safeguard would expose British seafarers in the USSR to harrassment of various kinds as I mentioned yesterday. The Consular agreement may not be sufficient protection against this danger. Our powers give us much less freedom to harrass Soviet seamen than they possess to harrass us.

2 The Agreement, unlike the US/Soviet Maritime Agreement, does not in any way regulate the volume of Russian shipping calling in the UK, whether in bilateral or cross trades. Its termination will therefore leave the volume of Russian shipping calling here unaffected.

3 Restrictions on Soviet shipping, or the denial of access by Soviet ships to UK ports would require new primary legislation, (unless the Soviets acted against our shipping first, in such a way as to trigger our retaliatory powers in the 1974 Merchant Shipping Act, which it would seem fair to assume. This would require a statutory instrument subject to the affirmative resolution procedure in both Houses).



10 DOWNING STREET

From the Private Secretary

3 February 1982

POLAND

The Prime Minister held a meeting on 2 February at 1600 hours to consider possible British measures against Poland and against the Soviet Union in the light of the situation in Poland and current discussions between members of the Western Alliance. The Minister of Agriculture, the Lord Privy Seal, the Secretary of State for Industry, the Chief Secretary and the Minister for Trade were present, together with Sir Robert Armstrong and other officials. They had before them your letter to me of 1 February indicating the line which British representatives were to take at the five-power meeting in London earlier on 2 February.

(2) The meeting was informed of the outcome of the five-power meeting, which had been arranged following the Prime Minister's meeting with Mr. Haig on 29 January and subsequent message to President Reagan. It had been accepted that the North Atlantic Council meeting on 3 February should be steered towards reaching and announcing agreement in areas where little difficulty was expected, while more difficult issues were held over for further consideration. The United States representatives had adopted a more moderate approach than had seemed likely before the Prime Minister's contacts with Mr. Haig and President Reagan. But they had made clear that moderation in Washington would be easier to sustain if there was a reasonably wide measure of agreement on 3 February. In the light of this it had been indicated that Britain might be willing to announce the political and economic measures against Poland listed in the first part of the note enclosed with your letter and the political measures against the Soviet Union listed in the second part of that note. As regards the five economic measures against the Soviet Union in the same list, the position was as follows -

(i) On export credit, action by the European Community would be required. There was a good chance that this would prove possible, but opinion within the French Government was still divided and no announcement would be possible on 3 February.

(ii) On imports of Soviet manufactures, EC action would similarly be required. Britain had suggested raising tariffs in certain cases but this had not been agreed.

/Further

✓ Master

Subject

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 Min 9 T
 C

JR

Further consideration would now be given to the alternative possibility of tightening some of the quotas restrictions which still existed. But it was not clear whether this would be generally acceptable.

(iii) and (iv) On Soviet factory ships and the Anglo-Soviet Maritime Agreement, Britain had indicated a readiness to take action if her partners' intentions were broadly comparable. The Germans and Italians had certain steps in mind, but the French position was less clear.

(v) On non-undermining, it seemed possible that agreement might be attainable on the basis that the Americans would not frustrate existing European contracts in return for the Europeans undertaking not to take up future contracts with the Soviet Union which there were reasonable grounds to suppose would in normal circumstances have been awarded to United States companies. The British representatives had made clear that as things stood they had no authority to accept such an arrangement. But it had been agreed that the five Governments would now consider the possibility and resume discussion later in the month; that meanwhile the issue would not be substantively discussed in the NAC and no announcement would be made on 3 February; and that it would be important to ensure that neither the Japanese nor other major non-NATO industrial states picked up any contracts which the Europeans undertook to forgo.

(3) Ministers agreed that on 3 February the British representatives at the NAC meeting might authorise the announcement of the proposed political and economic measures against Poland and of the proposed political measures against the Soviet Union. As regards item A(iv) in your list of measures against Poland, they agreed that it would be wrong to specify a contribution of £5,000, which might seem too small, and that the Government should instead indicate a general willingness to cover all reasonable costs of co-ordinating the humanitarian efforts of the voluntary and church agencies. As regards item B(iii) in the same list, they agreed that, if possible, it should be made clear how much money was to be allocated by the EC to the provision of humanitarian aid. Turning to economic measures against the Soviet Union, Ministers took note of the position on points (i) and (ii) above. On point (iii), they agreed that on 3 February public attention could be drawn to the fact that the Government had introduced licensing control over the fish factory ships. But no actual restrictions should be imposed for the time being, since these might involve British fishermen in financial loss. The possibility of such restrictions could be reviewed in the summer. On point (iv), Ministers agreed that the NATO spokesman on 3 February could be authorised to say publicly that certain Maritime Agreements with the Soviet Union were to be terminated, but without identifying Britain as one of the countries involved in this. On

/ point (v),

point (v), they agreed that a deal on the basis canvassed would be acceptable to Britain if it was to others. In taking the necessary powers to prevent British firms undertaking contracts in the circumstances specified, the Government would have to retain considerable discretion over the definition of these circumstances. This might give rise to argument over borderline cases, but there should be no danger of challenge in the courts. It would be very important to ensure that the Japanese were not able to pick up contracts forgone by British firms.

4. Ministers agreed that Parliament should be informed of the public position taken by Britain at the NAC on 3 February, but that this should if possible be done by Written Answer in order to avoid damaging cross-examination.

5. Ministers noted with satisfaction that the United States Government were now reported to have abandoned the idea of precipitating a default by Poland on her debts; that the importance of existing European contracts was now better appreciated in Washington; that there were signs of a growing awareness on the part of the Americans that measures taken by their allies should not impose a burden out of scale with what their own measures involved; and that in general they appeared to be reasonably pleased with their European partners' approach at the five-power meeting.

I am sending copies of this letter to the Private Secretaries of other Ministers present and to Sir Robert Armstrong.

A. J. COLES

S.W.J. Fuller, Esq.,
Lord Privy Seal's Office.

CONFIDENTIAL

Mr. Coles.

Handwritten signature

3/2/82.

Draft letter from Mr Coles to Mr ^{Fuller} Arthur, FCO

Poland

The Prime Minister held a meeting on 2nd February at 4 pm to consider possible British measures against Poland and against the Soviet Union in the light of the situation in Poland and current discussions between members of the Western Alliance. The Minister of Agriculture, the Lord Privy Seal, the Secretary of State for Industry, the Chief Secretary, Treasury and the Minister for Trade were present, together with Sir Robert Armstrong and other officials. They had before them your letter to me of 1st February indicating the line which British representatives were to take at the 5 power meeting in London earlier on 2nd February.

2. The meeting was informed of the outcome of the 5 power meeting, which had been arranged following the Prime Minister's meeting with Mr Haig on 29th January and subsequent message to President Reagan. It had been accepted that the North Atlantic Council meeting on 3rd February should be steered towards reaching and announcing agreement in areas where little difficulty was expected, while more difficult issues were held over for further consideration. The United States representatives had adopted a more moderate approach than had seemed likely before the Prime Minister's contact with Mr Haig and President Reagan. But they had made clear that moderation in Washington would be easier to sustain if

there was a reasonably wide measure of agreement on 3rd February. In the light of this it had been indicated that Britain might be willing to announce the political and economic measures against Poland listed in the first part of the note enclosed with your letter and the political measures against the Soviet Union listed in the second part of that note. As regards the five economic measures against the Soviet Union in the same list, the position was as follows -

- i. On export credit, action by the ^{European Community} ~~EC~~ would be required. There was a good chance that this would prove possible, but opinion within the French Government was still divided and no announcement would be possible on 3rd February.
- ii. On imports of Soviet manufactures, EC action would similarly be required. Britain had suggested raising tariffs in certain cases but this had not been agreed. Further consideration would now be given to the alternative possibility of tightening some of the quotas restrictions which still existed. But it was not clear whether this would be generally acceptable.
- iii. and iv. On Soviet factory ships and the Anglo-Soviet Maritime Agreement, Britain had indicated a readiness to take action if her partners' intentions were broadly comparable. The Germans and Italians had ^{certain} ~~some comparable~~ steps in mind, but the French position was less clear.

v. On non-undermining, it seemed possible that agreement might be ~~reached between the 5~~^{attainable} on the basis that the Americans would not frustrate existing European contracts in return for the Europeans undertaking not to take up future contracts with the Soviet Union which there were reasonable grounds to suppose would in normal circumstances have been awarded to United States companies. The British representatives had made clear that as things stood they had no authority to accept such an arrangement. But it had been agreed that the 5 Governments would now consider the possibility and resume discussion later in the month; that meanwhile the issue would not be substantively discussed in the NAC and no announcement would be made on 3rd February; and that it would be important to ensure that neither the Japanese nor other major non-NATO industrial states picked up any contracts which the Europeans undertook to forego.

3. Ministers agreed that on 3rd February^{the} British representatives^{at the NAC meeting} might authorise the announcement of the proposed political and economic measures against Poland and of the proposed political measures against the Soviet Union. As regards item Aiv in your list of measures against Poland, they agreed that it would be wrong to specify a contribution of £5,000, which might seem too small, and that the Government should instead indicate a general willingness to cover all reasonable costs^{of} in co-ordinating the humanitarian efforts of the voluntary and church agencies. As regards item Biii in the same list, they agreed that if possible it should

be made clear how much money was to be allocated by the EC to the provision of humanitarian aid. Turning to economic measures against the Soviet Union, Ministers took note of the position on points i. and ii. above. On point iii, they agreed that on 3rd February public attention could be drawn to the fact that the Government had introduced licensing control over the fish factory ships. But no actual restrictions should be imposed for the time being, since these might involve British fishermen in financial loss. The possibility of such restrictions could be reviewed in the summer. On point iv, Ministers agreed that the NATO spokesman on 3rd February could be authorised to say publicly that certain Maritime Agreements with the Soviet Union were to be terminated, but without identifying Britain as one of the countries involved in this. On point v, they agreed that a deal on the basis canvassed would be acceptable to Britain if it was to others. In taking the necessary powers to prevent British firms undertaking contracts in ^{the} certain circumstances ^{specified} the Government would have to retain considerable discretion over the definition of these circumstances. This might give rise to argument over borderline cases, but there should be no danger of challenge in the courts. It would be very important to ensure that the Japanese were not able to pick up contracts foregone by British firms.

4. Ministers agreed that Parliament should be informed of the public position taken by Britain at the NATC on 3rd Feb, but that this should if possible be done by written answer in order to avoid damaging cross-examination.

5. Ministers noted with satisfaction that the United States Government were now reported to have abandoned the idea of precipitating a default by Poland on her debts; that the importance of existing European contracts was now better appreciated in Washington; that there ^{were signs of} ~~seemed to be~~ a growing awareness on the part of the Americans that measures

taken by their allies should not impose a burden out of scale with what their own measures involved; and that in general they appeared to be reasonably pleased with their European partners' approach at the 5-power meeting.

5. I am sending copies of this letter to the private secretaries of ^{other} Ministers present and to Sir Robert Armstrong.

[~~Secretary of the State~~
Chief Secretary
Mr. Lee - DOT
Mr. Waller - NAFF
Mr. Lennox - Industry

MR $\frac{3}{2}$

POLAND : ADVANCE COPIES 35

PS
PS/LFS
PS/LORD TREFGARNE
PS/PUS
MR BULLARD
LORD BRIDGES
MR EVANS
MR WRIGHT
MR GILLMORE
MR GOODISON
HD/TRED
HD/UND
HD/EESD(ALLOCATED)
HD/DEF D
HD/PUSD (2)
HD/WED
HD/ECD(E)
HD/PLANNING STAFF
HD/ERD
HD/NEWS D
HD/CONS D
HD/CONS EM UNIT
RESIDENT CLERK

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ASSESSMENT STAFF
CABINET OFFICE

DIO CABINET OFFICE

MR FRANKLIN
MR CAINES
MR CORLEY
MR POWNALL } OT/DOT

IMMEDIATE ADVANCE COPY

* ~~ONE COPY~~ FOR TYPISTS XI

GRS 310

CONFIDENTIAL

FROM UKDEL NATO 031740Z FEB 1982

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 069 OF 03 FEBRUARY 1982

INFO IMMEDIATE BANGKOK (FOR PRIVATE SECRETARY) WASHINGTON

INFO PRIORITY BONN PARIS ROME OTTAWA MOSCOW AND WARSAW

INFO SAVING TO ALL OTHER NATO POSTS UKREP BRUSSELS UKMIS GENEVA

UKMIS NEW YORK TOKYO WELLINGTO CANBERRA

MADRID AND DUBLIN

NORTH ATLANTIC COUNCIL: 3 FEBRUARY: POLAND

1. THE COUNCIL HAD A FURTHER BUSINESS-LIKE MEETING TODAY, CONCENTRATED ALMOST ENTIRELY ON THE MEASURES WHICH INDIVIDUAL ALLIES WERE PREPARED TO TAKE. THERE WAS MUCH EMPHASIS ON THE FACT THAT THESE WERE NATIONAL MEASURES AND THAT DETAILS SHOULD BE ANNOUNCED BY GOVERNMENTS INDIVIDUALLY (OR BY THE COMMUNITY) RATHER THAN JOINTLY IN NATO. THE MAJORITY OF DELEGATIONS, INCLUDING THE FRENCH AND CANADIANS, HAD SOMETHING TO CONTRIBUTE THIS TIME. BULLARD AND BRIDGES ATTENDED AND THE FORMER SUMMARISED WHAT WE WERE PREPARED TO DO

2. THERE WERE SOME DOUBTS IN THE MIDDLE OF THE DAY WHETHER THE FRENCH

~~2. THERE WERE SOME DOUBTS IN THE MIDDLE OF THE DAY WHETHER THE FRENCH WOULD BE IN ANY POSITION TO AGREE A SUFFICIENTLY POSITIVE LINE WITH THE PRESS. HOWEVER, THE TEXT IN MY TELNO 068 (SAVING TO SOME) WHICH WAS BASED ON A FRENCH REVISION OF AN AMERICAN DRAFT, WAS EVENTUALLY AGREED QUITE RAPIDLY.~~

3. IN A CONCLUDING COMMENT HORMATS(US) URGED THAT THE MEASURES ON WHICH NATIONS HAD BRIEFED THE COUNCIL BE ANNOUNCED AS SOON AS POSSIBLE. A FEW BOLD SETS OF NATIONAL MEASURES WOULD BE WORTH MUCH MORE THAN AN ALLIANCE PACKAGE WHICH REPRESENTED A LOWEST COMMON DENOMINATOR.

4. THERE WAS NO DISCUSSION OF A FURTHER MEETING OF THIS KIND.

5. MY FOUR IMMEDIATELY FOLLOWING TELEGRAMS (NOT TO ALL) CONTAIN:

(I) THE TEXT OF BULLARDS STATEMENT FOR THE UK:

(II) A SUMMARY OF COMMENTS ON MARITIME ISSUES, WHICH MAY BE OF VALUE FOR FURTHER WHITEHALL CONSIDERATION OF OUR OWN POSITION IN THIS FIELD:

(III) COMMENTS ON MEASURES AGAINST POLAND SEMI COLON AND

(IV) COMMENTS ON MEASURES AGAINST THE SOVIET UNION.

FCO PLEASE PASS TO ALL SAVING ADDRESSEES EXCEPT THE BRUSSELS POSTS.

SCOTT

NNNN

DESKBY 031700Z

POLAND : ADVANCE COPIES

PS
PS/LPS
PS/LORD TREFGARNE
PS/PUS
MR BULLARD
LORD BRIDGES
MR EVANS
MR WRIGHT
MR GILLMORE
MR GOODISON
HD/TRED
HD/UND
HD/EESD(ALLOCATED)
HD/DEF D
HD/PUSD (2)
HD/WED
HD/ECD(E)
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RESIDENT CLERK

NO 10 DOWNING ST
ASSESSMENT STAFF
CABINET OFFICE
DIO CABINET OFFICE
MR FRANKLIN }
MR CAINES } OT/DOT
MR CORLEY }
MR POWNALL }

ADVANCE COPY
IMMEDIATE

UNCLASSIFIED

DESKBY 031700Z

FM UKDEL NATO 031625Z FEB 82

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,
TELEGRAM NUMBER 068 OF 3 FEBRUARY 1982,

AND TO IMMEDIATE WASHINGTON, BONN, MOSCOW, WARSAW, MANILA (FOR
PRIVATE SECRETARY),

INFO SAVING OTHER NATO POSTS, UKREP BRUSSELS, UKMIS GENEVA, UKMIS
NEW YORK, EAST BERLIN, SOFIA, BUCHAREST, BUDAPEST, PRAGUE, TOKYO,
MADRID, CANBERRA, WELLINGTON.

POLAND.

FOLLOWING IS TEXT OF GUIDELINES BEING USED BY NATO SPOKESMAN WITH
THE PRESS FOLLOWING TODAY'S COUNCIL DISCUSSION.

BEGINS:

1. FOLLOWING ITS MEETINGS OF 11 AND 23 JANUARY THE COUNCIL MET ON
3 FEBRUARY, WITH THE ATTENDANCE OF SENIOR OFFICIALS FROM CAPITALS,
TO CONTINUE ITS REVIEW OF THE SITUATION IN POLAND, THE ROLE OF THE
SOVIET UNION AND THE MEASURES TOWARDS BOTH COUNTRIES WHICH ALLIED
GOVERNMENTS HAVE BEEN CONSIDERING.

~~SOVIET UNION AND THE MEASURES TOWARDS BOTH COUNTRIES WHICH ALLIED GOVERNMENTS HAVE BEEN CONSIDERING.~~

2. MARTIAL LAW CONTINUES IN FORCE IN POLAND AND POLITICAL REPRESSION HAS INCREASED. THOUSANDS OF POLES ARE STILL DETAINED. THERE ARE INDICATIONS THAT THE AUTHORITIES ARE NOW EVEN LESS INTERESTED IN GENUINE NEGOTIATIONS WITH THE CHURCH OR THE LEGITIMATE REPRESENTATIVES OF SOLIDARITY. THE POLISH AUTHORITIES, SUPPORTED BY THE SOVIET UNION, CONTINUE TO SUPPRESS THE ASPIRATIONS OF THE POLISH PEOPLE.

3. NO PROGRESS HAS BEEN MADE ON THE THREE POINTS EMPHASIZED IN PARAGRAPH 5 OF THE DECLARATION ISSUED BY ALLIED MINISTERS ON 11 JANUARY - AN END TO MARTIAL LAW, THE RELEASE OF THOSE ARRESTED, AND THE IMMEDIATE RESTORATION OF A DIALOGUE WITH THE CHURCH AND SOLIDARITY. NOR IS THERE ANY SIGN OF A REDUCTION IN THE SOVIET PRESSURE ON POLAND TO WHICH THE SAME DECLARATION DREW ATTENTION.

4. IN THESE CIRCUMSTANCES, THE ALLIES REVIEWED FURTHER MEASURES TAKEN BY INDIVIDUAL GOVERNMENTS IN IMPLEMENTATION OF PARAGRAPHS 11 - 14 OF THE DECLARATION OF 11 JANUARY - SUCH AS REDUCED SOVIET PARTICIPATION IN OCEAN CROSSTRADES, SUSPENSION OF TALKS ON TRANSPORT, SUSPENSION OF MEETINGS AND VISITS UNDER BILATERAL ECONOMIC, COMMERCIAL, TECHNICAL, SCIENTIFIC AND CULTURAL AGREEMENTS. CURTAILMENT OF CREDIT FACILITIES, ELIMINATION OF EXCEPTIONS TO TECHNOLOGY TRANSFER REQUIREMENTS FOR POLAND, AND INSISTENCE ON FULL RECIPROCITY BY LOT. THEY ALSO AGREED THAT PRESSURES SHOULD CONTINUE TO BE APPLIED ON POLAND AND SOVIET UNION. IN THIS RESPECT THEY AGREED TO PURSUE AND AS NECESSARY TO STRENGTHEN ACTIONS ALONG THE LINES OF THE MINISTERIAL DECLARATION OF 11 JANUARY. IT WILL BE FOR EACH GOVERNMENT TO ANNOUNCE THE ADDITIONAL MEASURES TAKEN TO THIS EFFECT.

5. THE ALLIES REAFFIRMED THEIR RESOLVE NOT TO UNDERMINE THE EFFECT OF EACH OTHER'S MEASURES, AND TO THIS END WILL CONSULT INTENSIVELY TO IMPLEMENT THE DECLARATION OF 11 JANUARY.

ENDS.

FCO PLEASE PASS SAVING TO ANKARA, ATHENS, COPENHAGEN, THE HAGUE, LISBON, LUXEMBOURG, OSLO, OTTAWA, PARIS, REYKJAVIK, ROME, UKMIS GENEVA, UKMIS NEW YORK, EAST BERLIN, BUCHAREST, SOFIA, BUDAPEST, PRAGUE, TOKYO, MADRID, CANBERRA, WELLINGTON.

SCOTT.

Advanced

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EASTERN EUROPEAN ECONOMIC

PS
PS/LPS
PS/LORD TREFGARNE
PS/PUS
MR BULLARD
LORD BRIDGES
MR FERGUSSON
MR EVANS
MR HANNAY
HD/EESD
HD/ECD(E)
HD/WED
HD/ESID
HD/ERD
HD/NEWS DEPT
HD/PLANNING STAFF
RESIDENT CLERK

MR MOUNTFIELD TREASURY
MR BREACH ECGD
MR WENBAN-SMITH CABINET OFFICE
MR POWNALL CRE4 DOT
MR LOEHNIS B/ENGLAND
MR ALEXANDER 10 DOWNING STREET

Prime Minister

Very interesting. Haig must have
had his teeth with you well in
mind.

A.T.C. 3/2

UNCLASSIFIED

FM WASHINGTON 022346Z FEB 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 332 OF 2 FEBRUARY

INFO UKDEL NATO, MOSCOW, WARSAW, PARIS, BONN, MANILA (FOR PS/S OF S)

SECRETARY HAIG ON POLAND

1. HAIG APPEARED BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE THIS MORNING. THE THEME OF THE HEARING WAS EAST/WEST RELATIONS AND POLAND WAS THE DOMINANT THEME. I REGARD HIS STATEMENT ON THE ALLIES IN PARA 3(A) BELOW AS OF CONSIDERABLE IMPORTANCE. IT WAS DELIVERED WITH GREAT FEELING.

2. IN HIS OPENING STATEMENT, HAIG SAID THAT SOVIET COMPLICITY IN THE POLISH CRISIS, COMING WHILE SOVIET TROOPS OCCUPIED AFGHANISTAN AND MOSCOW'S ARMS FLOODED CUBA, UNDERMINED THE VERY BASIS OF EAST/WEST RELATIONS. THE POLISH CRISIS WAS FAR FROM OVER AND THE POLISH ECONOMY CONTINUED TO DECLINE. IT COULD BE REVIVED ONLY WITH THE CO-OPERATION OF THE POLISH WORKER BUT JARUZELSKI DID NOT SEEM PREPARED TO ANSWER THE VEXING QUESTIONS OF WHEN MARTIAL LAW WOULD BE LIFTED OR HOW NATIONAL RECONCILIATION COULD BEGIN. IN THESE CIRCUMSTANCES, PASSIVE RESISTANCE WOULD PROBABLY INCREASE. THE WEST'S HANDLING OF THE POLISH CRISIS WOULD HAVE FAR-REACHING IMPLICATIONS FOR WESTERN
EQUALITY. IF THE WEST DID NOT TAKE SERIOUS ACTIONS COMENSURATE

~~THE POLISH CRISIS WOULD HAVE FAR-REACHING IMPLICATIONS FOR WESTERN CREDIBILITY. IF THE WEST DID NOT TAKE SERIOUS ACTIONS COMENSURATE WITH ITS CONCERN, THE SOVIET UNION MIGHT BE ENCOURAGED TO TEST WESTERN RESOLVE AT OTHER CRITICAL POINTS IN THE WORLD.~~

INDIVIDUAL NATIONAL ACTION WAS MUCH MORE MEANINGFUL IN THE CONTEXT OF ALLIED UNITY. FIFTEEN SOVEREIGN NATIONS HAD NEVER FOUND IT EASY TO ACT IN CONCERT BUT IT WOULD BE TRAGIC IF POLAND'S MISFORTUNE BECAME THE INSTRUMENT OF ALLIED DISUNITY. PRESIDENT REAGAN'S TWO-TRACK STRATEGY (IMPOSING UNILATERAL SANCTIONS AND SEEKING UNIFIED ALLIED ACTION) WAS WELL UNDER WAY. CONTINUED UNITY AND CONCRETE PRESSURE, COUPLED WITH THE WEST'S POSITIVE OFFER TO HELP THE POLISH ECONOMY, OFFERED THE BEST PROSPECT FOR AFFECTING THE FUTURE OF FREEDOM IN POLAND.

3. FOLLOWING ARE THE MAIN POINTS FROM SUBSEQUENT QUESTIONS AND ANSWERS.

(A) ALLIED UNITY. IN PAST CRISES EG HUNGARY AND CZECHOSLOVAKIA, NATO HAD TAKEN THE POSITION THAT THESE WERE INTERNAL MATTERS. IN THE CASE OF POLAND THE ALLIANCE HAD JOINED IN A CLEAR CONDEMNATION OF WHAT HAD HAPPENED AND IN DECLARING SOVIET RESPONSIBILITY. FROM THE EUROPEAN NATION'S POINT OF VIEW SOME OF THE ACTIONS SUGGESTED BY THE UNITED STATES APPEARED TO PUT AN UNFAIR ECONOMIC BURDEN ON THEM WHICH WAS NOT FULLY SHARED BY AMERICA. THIS VIEW WAS JUSTIFIED BY STATISTICS. THE US SHOULD RECOGNISE THE UNPRECEDENTED DEGREE OF COOPERATION AND SUPPORT WHICH IT HAD RECEIVED FROM ITS EUROPEAN ALLIES. THERE WERE NO DIFFERENCES ON THE UNACCEPTABILITY OF THE SITUATION OR ON SOVIET RESPONSIBILITY FOR IT. SUCH DIFFERENCES AS THERE WERE FOCUSSED ON FINDING THE MOST EFFECTIVE MEANS TO MODERATE SOVIET ACTION. THE PRESIDENT HAD BEEN RIGHT IN HIS ACTIONS SO FAR. IT WOULD BE TOO MUCH TO EXPECT ALL OF THE ALLIES TO BE HAPPY ALL OF THE TIME. NATO DID NOT OPERATE IN LOCK-STEP, UNLIKE THE WARSAW PACT, WHICH OPERATED ON INSTRUCTIONS FROM MOSCOW. THE PRESIDENT WAS UNDER PRESSURE, FROM BOTH RIGHT AND LEFT, TO TAKE TOUGHER ACTION EG ON POLISH DEBT OR ON ALLIED ACTION. IF THE PRESIDENT HAD FOLLOWED HIS CRITICS HE WOULD HAVE RISKED BRINGING DOWN THE TEMPLE OF WESTERN UNITY AND THAT WOULD HAVE DONE THE WORK OF THE SOVIET UNION AND NOT SERVED US INTERESTS.

(B) GUARANTEED LOANS TO POLAND. THE ADMINISTRATION'S DECISION (WHICH HAD BEEN PERSONALLY APPROVED BY THE PRESIDENT) TO HONOUR LOANS TO POLAND GUARANTEED BY THE COMMODITY CREDIT COOPERATION (CCC) WAS, CONTRARY TO SOME OF THE CLAIMS MADE BY THE ADMINISTRATION'S CRITICS, THE TOUGH POSITION TO TAKE. IF THE US GOVERNMENT HAD ALLOWED POLAND TO GO INTO DEFAULT THIS WOULD HAVE LET THE SOVIET UNION OFF THE HOOK OF RESPONSIBILITY.

~~ALLOWED POLAND TO GO INTO DEFAULT THIS WOULD HAVE LET THE SOVIET UNION OFF THE HOOK OF RESPONSIBILITY FOR REPAYMENT OF POLISH DEBT.~~

AS IT WAS, THE SOVIET UNION WAS IN A SEVERE CASH CRUNCH AND HAD BEEN SELLING GOLD AT AN UNPRECEDENTED RATE. THE US DECISION WAS A MEANS OF INSISTING THAT THE SOVIET UNION MEET ITS OBLIGATIONS.

(C) GRAIN EMBARGO. SENATORS FROM GRAIN STATES SAID THAT THE POSSIBILITY OF A GRAIN EMBARGO WAS ALREADY HAVING AN ADVERSE EFFECT ON THE POSITION OF AMERICAN FARMERS. HAIG SAID THAT A NUMBER OF FACTORS, INCLUDING EUROPEAN AGRICULTURAL SALES, HAD AFFECTED THE US POSITION. THE PRESIDENT HAD MADE IT VERY VERY CLEAR THAT IT WAS NOT HIS POLICY TO INSTITUTE A UNILATERAL US GRAIN EMBARGO UNLESS IT WERE PART OF A BROADLY BASED ARRAY OF SANCTIONS. IT HAD ALSO BEEN MADE CLEAR THAT A US GRAIN EMBARGO, EVEN ONE INSTITUTED AS PART OF AN OVERALL SANCTIONS POLICY, WOULD NOT BE FULLY EFFECTIVE UNLESS OTHER GRAIN PRODUCING COUNTRIES AGREED TO JOIN IN. A GRAIN EMBARGO IMPOSED OUTSIDE THE FRAMEWORK OF GENERAL SANCTIONS WOULD COST THE US GOVERNMENT 30 BILLION DOLLARS IN PARITY PRICE SUPPORT TO THE US FARMER FOR THIS YEAR ALONE.

(D)) 15GQU

LINKAGE

~~AETHKNKAGE~~ WAS A FACT OF INTERNATIONAL LIFE NOT A POLICY OPTION. THE PRESIDENT HAD DIRECTED THAT THE INF DISCUSSIONS SHOULD CONTINUE, NOT BECAUSE THESE HAD BEEN DELINKED BUT BECAUSE IT WAS IN THE US INTEREST TO CONDUCT THE TALKS WITHOUT DELAY (A) BECAUSE THIS HAD BEEN AGREED WITH AMERICA'S PARTNERS, (B) BECAUSE THE SOVIET UNION WAS ALREADY DEPLOYING SS20'S AND THE WEST WAS NOT YET DEPLOYING COMPARABLE WEAPONS, AND (C) BECAUSE, TO HAVE ABANDONED THE TALKS, COULD HAVE TRANSFORMED EUROPEAN DEMONSTRATIONS AGAINST OPPRESSION IN POLAND, INVOLVING 60-70,000 DEMONSTRATORS AT A TIME, INTO DEMONSTRATIONS ON THE ISSUE OF DISARMAMENT INVOLVING UP TO 300,000 PEOPLE. HAIG HAD TOLD GROMYKO THAT PREPARATIONS FOR START WERE PROCEEDING WITH ALL DUE HASTE WITH A VIEW TO EARLY INITIATION OF SUBSTANTIVE DISCUSSIONS. BUT IF THERE WERE NO ABATEMENT OF REPRESSION IN POLAND, THE SITUATION WOULD BECOME INCREASINGLY SERIOUS. POLAND COULD NOT BE DISSOCIATED FROM SUCH A VITAL QUESTION AS THAT OF STRATEGIC ARMS NEGOTIATIONS.

HENDERSON

NNNN



Hand fle KB

10 DOWNING STREET

From the Private Secretary

2 February 1982

POLAND

I enclose a copy of a letter from the Italian Chargé d'Affaires which in turn encloses a text of a reply by the Italian Prime Minister to the Prime Minister's message of 29 January following her talks with Mr. Haig. A rough translation provided by the Italian Embassy is also enclosed.

A. L. COMES

F. N. Richards, Esq.,
Foreign and Commonwealth Office.



File RB

10 DOWNING STREET

From the Private Secretary

2 February 1982

Thank you so much for your letter of 1 February enclosing the text of a message to the Prime Minister from the President of the Italian Council of Ministers, Senator Giovanni Spadolini. I shall place this before the Prime Minister.

A. J. COLES

Signor Luigi Maria Fontana Giusti.

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GPS 140
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FM BONN 021000Z FEB 82
TO FLASH FCO
TELEGRAM NUMBER 91 OF 02 FEBRUARY
INFO IMMEDIATE WASHINGTON PARIS ROME UKDEL NATO

MY TELNO 89 AND TELECON MALLABY/HUNTER: SANCTIONS:
FRENCH PRIME MINISTER'S REMARKS IN BONN

1. FULL TEXT OF M. MAUROY'S REMARKS IS NOT AVAILABLE. DPA
REPORTED RELEVANT PART OF HIS REMARKS AS FOLLOWS:
BEGINS:

ECONOMIC MEASURES AGAINST WARSAW AND MOSCOW LAY OUTSIDE THE
NECESSARY SOLIDARITY TOWARDS POLAND. CESSATION OF TRADE IN GOODS
WITH THE SOVIET UNION INCLUDING THE GAS PIPELINE PROJECT WOULD
AMOUNT TO AN ECONOMIC BLOCKADE AGAINST MOSCOW AND WOULD
BE A GRAVE ACT WHICH, AS HISTORY HAD SHOWN, COULD IN THE LAST
RESORT LEAD EVEN TO WAR.

ENDS.

2. THE FRENCH EMBASSY ACCOUNT OF THE PRESS CONFERENCE CONTAINED THE
FOLLOWING PASSAGE:

BEGINS:

THE FRENCH PRIME MINISTER CONFIRMED THAT PARIS TOOK THE SAME
POSITION AS BONN CONCERNING ECONOMIC SANCTIONS AGAINST THE
SOVIET UNION. QUOTE NOT TO HAVE ECONOMIC EXCHANGES IS
FINALLY TO ACCEPT THE IDEA OF AN ECONOMIC BLOCKADE. IT IS A
GRAVE ACT, AN ACT OF WAR WHICH HISTORICALLY, WHEN RECOURSE HAS
BEEN HAD TO IT, HAS LED TO TERRIBLE EVENTS UNQUOTE HE SAID.

ENDS.

FCO PLEASE ADVANCE TO BULLARD AND MALLABY

TAYLOR

[ADVANCED AS REQUESTED]

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 MR EVANS
 MR WRIGHT
 MR GILLMORE
~~MR GOODISON~~
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FM WARSAW 021550Z FEB 82

TO IMMEDIATE FCO

TELNO 198 OF 2ND FEBRUARY 1982

AND TO IMMEDIATE UKDEL NATO

INFO PRIORITY: BANGKOK, (FOR PRIVATE SECRETARY), WASHINGTON, PARIS, BONN, UKMIS GENEVA AND MOSCOW

INFO SAVING: EAST BERLIN, PRAGUE, BUDAPEST, MODUK, SOFIA, BUCHAREST, BELGRADE, HELSINKI, STOCKHOLM, UKMIS NEW YORK AND UKREP BRUSSELS

MY TEL NO 150: POLAND.

1. AS A CONTRIBUTION TO TOMORROW'S NAC MEETING I ATTACH AN UPDATED SITREP.

INTERNAL SITUATION

2. THE DISTURBANCES IN GDANSK AT THE WEEKEND WERE THE FIRST EVIDENCE OF ACTIVE RESISTANCE TO MARTIAL LAW SINCE BEFORE CHRISTMAS. THEY SUGGEST THAT THERE IS CONSIDERABLE RESENTMENT UNDER THE SURFACE

OF ACTIVE RESISTANCE TO MARTIAL LAW SINCE BEFORE CHRISTMAS. THEY SUGGEST THAT THERE IS CONSIDERABLE RESENTMENT UNDER THE SURFACE WHICH MIGHT FLARE UP AT ANY TIME. FOLLOWING THE INTRODUCTION OF PRICE RISES THE NEXT TWO WEEKS OR SO ARE LIKELY TO BE DIFFICULT FOR THE AUTHORITIES. ON THE OTHER HAND, WE CONTINUE TO HEAR RUMOURS THAT THE MAIN WAVE OF OPPOSITION TO MARTIAL LAW IS NOT EXPECTED UNTIL THE SPRING. EXCEPT IN GDANSK, THE COUNTRY REMAINS OUTWARDLY QUIET. PRODUCTIVITY REMAINS LOW, EXCEPT POSSIBLY IN THE COALFIELDS.

3. MOST OF SOLIDARITY'S ACTIVITIES SEEM TO BE CONCENTRATED ON PRODUCING CLANDESTINE NEWS SHEETS. THE AUTHORITIES HAVE MADE NO FURTHER PROGRESS IN CAPTURING THE SOLIDARITY LEADERS WHO ARE AT LARGE. ONE DOCUMENT WE OBTAINED SAID THAT AN ALL-POLAND COMMITTEE OF RESISTANCE HAD BEEN SET UP WITH A LEADER OPERATING UNDER A PSEUDONYM. BUT THERE HAS BEEN A SUBSEQUENT SUGGESTION THAT THIS MAY BE A GOVERNMENT PROVOCATION.

4. LOCAL PARTY ACTIVITY HAS STEPPED UP CONSIDERABLY IN THE LAST FEW DAYS. THERE ARE PERSISTENT RUMOURS OF A CENTRAL COMMITTEE MEETING TO BE HELD AROUND 10 FEBRUARY. THERE CONTINUE TO BE RUMOURS THAT JARUZELSKI'S POSITION INSIDE THE PARTY ITSELF REMAINS WEAK.

5. OVER THE PAST 10 DAYS THE POLISH PRESS HAS BEEN FULL OF ACCOUNTS OF THE "MUSHROOMING" GROWTH OF LOCAL COMMUNITIES OF NATIONAL SALVATION ALL OVER THE COUNTRY. THE REGIME IS CLEARLY PREPARING THE GROUND FOR A "SPONTANEOUS" GRASS ROOTS CALL FOR A RENEWED FRONT OF NATIONAL UNDERSTANDING.

MARTIAL LAW

6. JARUZELSKI'S SPEECH TO THE SEJM ON 25 JANUARY PRODUCED ONLY A GUARDED COMMITMENT TO RELAX SOME OF THE RESTRICTIONS OF MARTIAL LAW BY THE END OF FEBRUARY. THERE HAVE SINCE BEEN FURTHER MINOR RELAXATIONS OF THE ADMINISTRATIVE RESTRICTIONS. CERTAIN GATHERINGS MAY NOW BE HELD WITHOUT PERMISSION. MORE NEWSPAPERS, RADIO STATIONS AND TELEVISION CHANNELS ARE BEING ALLOWED TO OPERATE NORMALLY. INTER-CITY TELEPHONE CALLS THROUGH THE OPERATOR AND CENSORED TELEGRAMS WILL BE POSSIBLE FROM 10 FEBRUARY. PRIVATE CARS MAY NOW BE USED AGAIN, ALTHOUGH PETROL IS STRICTLY RATIONED. BUT PERMISSION HAS STILL TO BE OBTAINED TO TRAVEL OUTSIDE ONE'S TOWN OF RESIDENCE. AND SPOT CHECKS CONTINUE TO BE MADE AT THE "HIGHWAY CONTROLS" AROUND WARSAW. NONE OF THE POLITICAL RESTRICTIONS OF MARTIAL LAW HAVE YET BEEN RELAXED.

MARTIAL LAW HAVE YET BEEN RELAXED.

7. IN GDANSK, FOLLOWING THE WEEKEND'S DISTURBANCES THE RESTRICTIONS OF MARTIAL LAW HAVE BEEN STEPPED UP. THE CURFEW NOW OPERATES FROM 8 PM TO 5 AM. ALL TELEPHONES HAVE BEEN CUT OFF, PRIVATE CARS HAVE BEEN ORDERED OFF THE STREETS AND OTHER RESTRICTIONS HAVE BEEN RE-INTRODUCED.

DETAINEES

8. JARUZELSKI CLAIMED IN HIS SPEECH TO THE SEJM THAT ABOUT 4,500 PEOPLE WERE STILL IN DETENTION AND THAT OVER 1,700 HAD BEEN RELEASED. SET AGAINST EARLIER OFFICIAL FIGURES, THIS SUGGESTS THAT THROUGHOUT MARTIAL LAW PEOPLE HAVE CONTINUED TO BE DETAINED. NO PROMINENT DETAINEES APPEAR TO HAVE BEEN AMONG THOSE RELEASED AND THERE IS NO FURTHER SIGC OF THE EARLY RELEASE OF SUBSTANTIAL NUMBERS OF DETAINEES. THOSE WHO HAVE ORGANISED STRIKES SINCE MARTIAL LAW HAVE CONTINUED TO BE SENTENCED BY THE MILITARY COURTS.

RESUMPTION OF DIALOGUE

9. THE REGIME'S ATTEMPTS TO INITIATE A SUBSTANTIVE DIALOGUE WITH SOCIETY HAVE STILL NOT MADE ANY PROGRESS. THERE HAS BEEN NO RECENT MENTION OF TALKS WITH SOLIDARITY LEADERS. THE CHURCH WAS PERSUADED, PROBABLY BY PROMISES OF RELAXATION IN JARUZELSKI'S SEJM SPEECH, TO ADOPT A MORE CONCILIATORY ATTITUDE TO THE REGIME. BUT NOW THAT THESE PROMISES HAVE PROVED EMPTY, THE CHURCH IS UNLIKELY TO BE CONCILIATORY AGAIN FOR SOME TIME. THE PRIMATE AND CARDINAL MACHARSKI ARE NOW IN ROME AND ANY NEW MOVE BY THE CHURCH SEEMS UNLIKALY BEFORE THEIR RETURN ON 15 FEBRUARY.

THE ECONOMY

10. INCREASES IN PRICES OF GOODS AND SERVICES UNDER DIRECT GOVERNMENT CONTROL TOOK PLACE ON 1 FEBRUARY. FOOD PRICES ROSE ON AVERAGE BY 240% AND THE PRICES OF ENERGY AND OTHER SERVICES BY 170%. CONTRARY TO SOME EXPECLATIONS THERE HAS BEEN LITTLE SIGN SO FAR OF IMPROVED SUPPLIES OF ITEMS WHOSE PRICE HAS INCREASED OR, FOR THAT MATTER, OF OTHER GOODS. THE PROSPECTS FOR FOOD SUPPLIES CONTINUES TO BE BLEAK. THE GOVERNMENT HAS ALSO ANNOUNCED A MAJOR EXTENSION IN THE LIST OF ITEMS WHOSE PRICES ARE TO BE SUBJECT TO CENTRAL CONTROL. THIS APPEARS TO BE A RESPONSE TO LARGE INCREASES IN PRICES OF MANY HOUSEHOLD AND CLOTHING ARTICLES FOLLOWING THE LIMITED DEGREE OF ENTERPRISE AUTONOMY GRANTED ON 1 JANUARY.

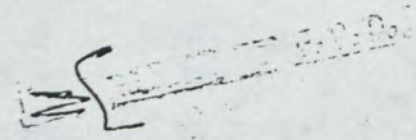
IN PRICES OF MANY HOUSEHOLD AND CLOTHING ARTICLES FOLLOWING THE LIMITED DEGREE OF ENTERPRISE AUTONOMY GRANTED ON 1 JANUARY.

CONCLUSION

11. THIS HAS NOT BEEN A GOOD FORTNIGHT FOR THE REGIME. MARTIAL LAW IS NOW IN ITS 8TH WEEK AND SHOWS NO SIGN OF ENDING. JARUZELSKI'S DILEMMA IS CLEAR, IF HE LIFTS OR SUBSTANTIVELY RELAXES MARTIAL LAW, SOLIDARITY IS BOUND TO SEIZE THE CHANCE TO REGROUP AND TO RESUME A WIDER RANGE OF ANTI-GOVERNMENT ACTIVITIES. IF HE CONTINUES WITH MARTIAL LAW, HE RISKS CONTINUED WESTERN DISPLEASURE AND GROWING INTERNAL FRUSTRATION AND ANGER. IN SUCH A SITUATION THE INSTINCTIVE REACTION OF THE UNPOPULAR AND UNIMAGINATIVE RULER (PARTICULARLY IF HIS FREEDOM OF ACTION IS SEVERELY CONSTRAINED BY ORDERS FROM MOSCOW) IS TO DO NOTHING AND TO SIT IT OUT IN THE HOPE THAT SOMETHING MAY TURN UP, THAT WESTERN DISPLEASURE WILL BE EPHEMERAL AND THAT FEAR, COLD AND FOOD SHORTAGES WILL KEEP THE POLES QUIET THIS WINTER. THE NEXT FEW WEEKS WILL SHOW WHETHER JARUZELSKI'S EXPECTATIONS ARE JUSTIFIED.

FCO PLEASE PASS SAVING ADDRESSEES.

MELHUI SH



NNNN

Prime Minister

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To note.

M 2.

Ambasciata d'Italia,
14, Three Kings Yard,
London, W.1.

M 1029

1st February, 1982

r.a.
M 2.

Dear Mr. Coles,

I take pleasure in enclosing herewith the text of a message addressed to the Prime Minister by the President of the Italian Council of Ministers, Senator Giovanni Spadolini, together with a rough translation.

Very sincerely yours,

Luigi M. Fontana Giusti

Luigi M. Fontana Giusti,
Chargé d'Affaires a.i.

Encs.

John Coles, Esq.,
Private Secretary to the Prime Minister
(Overseas Affairs)
10 Downing St.,
London S W 1

GRS 450

UNCLASSIFIED

FM UKREP BRUSSELS 010917Z FEB 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 379 OF 1 FEBRUARY

MIPT: HUMANITARIAN AID FOR POLAND

SUBJECT : EMERGENCY AID FOR POLISH POPULATION

AS A RESULT OF COUNCIL MEETING OF 25.1.82 REQUIRING COMMISSION TO ESTABLISH FIGURE FOR EMERGENCY AID IN FAVOUR OF POLISH POPULATION VIA NGO'S, INFORM YOU ARE CONSIDERING AN EMERGENCY AID OF 8 MILLION ECUS, AVAILABLE BY TRANSFER TO ARTICLE 950 FROM FEOGA GUARANTEE TITLES I AND II. NEEDS FOR COMPLEMENTARY RATIONS FOR 6 TO 7 MILLION PEOPLE (LARGE FAMILIES, THE OLD AND HANDICAPPED, YOUNG CHILDREN, FAMILIES WITH MEMBERS IN INTERNMENT, HOSPITAL PATIENTS, CHILDREN'S HOMES, ORPHANS, ETC...), ARE MADE UP AS FOLLOWS, ON AN INDICATIVE BASIS, FOR MARCH/APRIL/MAY 1982 : (MILLION ECUS)

FOOD AND HYGIENE PRODUCTS 25,2
-WHOLE MILK POWDER : 4,200 T.
-FLOUR : 4,200 T.
-RICE : 4,200 T.
-PRESERVED MEAT AND FISH : 4,200 T.
-MARGARINE : 2,100 T.
-OIL : 2,100 T.
-SUGAR : 2,100 T.
-BABYFOOD : 1,050 T.
-VARIOUS(CORNFLOUR,PORRIDGE OATS) : 1,050 T.
-SOAP : 2,100 T.
SMALL MEDICAL EQUIPMENT +MEDICAL SUPPLIES 4,7

OVERALL NEED OF APPROX. 30 MILLION ECUS. COMMUNITY ESTIMATES THAT THIS NEED CAN BE COVERED AS FOLLOWS :

-NGO'S OUTSIDE COMMUNITY : 12,5 MILLION ECUS
-COMMUNITY NGO'S(OWN FUNDS) : 6,3 " "
-GERMAN GOVERNMENT : 1,1 " "
-COMMUNITY : 0,5 " " (WITHIN THE
EMERGENCY AID OF 2 MILLION ECUS DECIDED 23.12.81).

/ THERE REMAINS

THERE REMAINS THUS A NEED UNCOVERED OF ROUGHLY 10 MILLION ECUS, WHICH EXPLAINS THE SUM OF 8 MILLION ECUS UNDER CONSIDERATION. INFORMED OF COMMUNITY'S INTENTIONS, NGO'S HAVE DECLARED THEMSELVES READY TO CHANNEL THE EMERGENCY AID TO BE PROVIDED BY COMMUNITY. TO THIS END, THEY WILL HOLD A COORDINATION MEETING ON 15.2.82 TO ESTABLISH A CONCRETE PLAN OF ACTION. PLEASE LET ME KNOW OF ANY CONTRIBUTIONS DECIDED OR UNDER CONSIDERATION BY YOUR GOVERNMENT IN FAVOUR OF POLISH POPULATION.

G. MOLINIER COORD. OFFICER FOR EMERGENCY AIDS
DEVELOPMENT COMEUR

FCO ADVANCE TO:-

FCO - BRIDGES, EVANS, BULLARD, FERGUSON, CROWE, MS YOUNG

CAB - WENTWORTH

DDT - CORLEY

MAFF - PARKHOUSE, BARKER (ERD)

TSY - MOUNTFIELD, DONOVAN

BUTLER

[ADVANCED AS REQUESTED]

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LORD BRIDGES
MR FERGUSON
MR EVANS
MR HANNAY
MR HAYES

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FM UKREP BRUSSELS #18915Z FEB 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 378 OF 1 FEBRUARY
INFO ODM (FOR GRAHAM HARRISON)

HUMANITARIAN AID FOR POLAND

1. MIPT CONTAINS TEXT OF COMMISSION TELEX PROPOSING 8 M ECU EMERGENCY HUMANITARIAN AID TO POLAND. THIS IS THE FIRST FOLLOW UP TO THE FAC'S DECISION ON 26 JANUARY TO USE THE 35 M ECU ALLOCATED IN THE BUDGET FOR SUBSIDIZED FOOD SALES FOR HUMANITARIAN AID.

2. UNDER THE NEW PROCEDURES GOVERNING EMERGENCY AID, WE HAVE UNTIL THE EVENING OF 3 FEBRUARY TO REQUEST A MEETING OF AN AD HOC GROUP TO EXAMINE THE COMMISSION'S PROPOSAL. THERE WILL IN ANY CASE BE AN OPPORTUNITY TO DO SO WHEN THE RESTRICTED GROUP OF COUNSELLORS MEETS ON 2 FEBRUARY TO STUDY POSSIBLE TRADE POLICY MEASURES AGAINST THE SOVIET UNION. GRATEFUL FOR INSTRUCTIONS ON ANY POINTS WHICH YOU WISH US TO RAISE BY 021100Z.

3. PLEASE SEE MIFT.

FCO ADVANCE TO:-

- FCO - BRIDGES, EVANS, BULLARD, FERGUSSON, CROWE, MS YOUNG
- CAB - WENTWORTH
- IDT - CORLEY
- MAFF - PARKHOUSE, BARKER (ERD)
- TSY - MOUNTFIELD, DONOVAN

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FM WASHINGTON 020144Z FEB 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 320 OF 1 FEBRUARY

INFO PRIORITY MANILA (FOR PS/SECRETARY OF STATE)

ROUTINE BONN PARIS WARSAW MOSCOW UKDEL NATO

POLISH DEBT: US COMMODITY CREDITS

1. TWO ARTICLES IN TODAY'S NEW YORK TIMES (COPIES BY BAG) INDICATE THAT THE US GOVERNMENT TOOK POSITIVE STEPS LAST WEEK TO AVOID A POSSIBLE FORMAL DECLARATION OF DEFAULT IN CONNEXION WITH THE NON-REPAYMENT BY THE POLES OF GOVERNMENT-GUARANTEED COMMODITY CREDIT CORPORATION CREDITS FALLING DUE FOR REPAYMENT TO US BANKS IN JANUARY 1982. IF THE BANKS HAD CALLED IN THE GUARANTEES UNDER PRESENT REGULATIONS A DEFAULT COULD HAVE BEEN CONSTRUED TO HAVE BEEN INVOLVED, SINCE NON-REPAYMENT BY THE POLES IS THE ONLY BASIS UNDER WHICH THE GOVERNMENT CAN REIMBURSE THEM. OUR SOURCES IN THE DEPARTMENTS OF STATE, AGRICULTURE AND THE US TREASURY CONFIRM THAT UNDER A NEW REGULATION THE CCC HAS BEEN UNAMBIGUOUSLY EMPOWERED TO BUY POLISH CCC PAPER FROM THE BANKS AT FACE VALUE (PLUS THE NORMAL 6 PER CENT INTEREST) AS IT FALLS DUE WITHOUT ANY QUESTION OF DEFAULT ARISING. WHEREAS BEFORE THE BANKS HAD TO SUBMIT A CLAIM TO THE CCC SAYING THEY HAD NOT BEEN PAID, NOW THEY CAN RECEIVE PAYMENTS FROM THE CCC WITHOUT SUBMITTING A CLAIM. THE JANUARY PAYMENT TO THE BANKS WILL BE DOLLARS 71 MILLION, AND TOTAL PAYMENTS THIS YEAR WILL PROBABLY AMOUNT TO SOME DOLLARS 400 MILLION.

2. THE NEW REGULATION WILL REDUCE THE RISK THAT AN AGENCY OF THE US GOVERNMENT MIGHT BE INTERPRETED AS DECLARING OR RECOGNISING THAT THE POLES ARE IN DEFAULT. SUCH AN INTERPRETATION MIGHT LEAD THE US BANKS TO DECLARE DEFAULTS ON NON-GUARANTEED DEBT, WHICH MIGHT THROUGH CROSS-DEFAULT CLAUSES THEN MEAN THAT FOREIGN BANKS WOULD DO THE SAME.

3. THE NEW CCC ARRANGEMENTS DO NOT CANCEL ANY POLISH DEBTS AND LEAVE IT OPEN FOR THE US GOVERNMENT TO CALL A DEFAULT IN RESPECT OF THESE DEBTS. A FORMAL RESCHEDULING IS NOT INVOLVED. IN ONE OF THE NEW YORK TIMES ARTICLES THE RIGHT-WING COLUMNIST SAFIRE SEEKS TO DEPICT THE ADMINISTRATION'S DECISION ON CCC CREDITS AS INCONSISTENT WITH ITS POLICY OF KEEPING ECONOMIC PRESSURE ON THE POLES.

CONFIDENTIAL

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4. BECAUSE NEW ARRANGEMENTS HAD TO BE SET UP WITH THE US BANKS, IT IS NOT SURPRISING THAT THE ADMINISTRATION'S DECISION BECAME PUBLIC. BUT BOTH THE NEW YORK TIMES CORRESPONDENTS HAD KNOWLEDGE OF DISCUSSIONS WITHIN THE ADMINISTRATION BEFORE A DECISION WAS REACHED. ALL DEPARTMENTS APPARENTLY AGREED WITH THE DECISION ON CCC CREDITS EXCEPT THE DEFENSE DEPARTMENT, WHICH WAS OVERRULED.

5. FCO PLEASE ADVANCE TO PS/SIR K COUZENS AND CAREY (TREASURY) AND WENBAN-SMITH (CABINET OFFICE).

HENDERSON

[ADVANCED AS REQUESTED]

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 MR BULLARD
 LORD BRIDGES
 MR FERGUSSON
 MR EVANS
 MR HANNAY
 MR HAYES

ADDITIONAL DISTRIBUTION
 EASTERN EUROPEAN ECONOMIC

SUBJECT

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T 21A/82

From: Senator Giovanni Spadolini, President of
the Italian Council of Ministers

To: the Rt. Hon. Margaret Thatcher, M.P.

Date: 1.2.1982

Text:

"Gentile Primo Ministro,

La ringrazio per avermi voluto fornire una informazione diretta sul contenuto del Suo recente colloquio con Segretario di Stato americano Alexander Haig.

Condivido pienamente la Sua iniziativa di aver sollevato con Haig un argomento, sul quale si concentra tutta la nostra attenzione. Sin dall'inizio, da parte italiana ci si è mossi con un duplice obiettivo: da un lato, per significare al Governo polacco e all'URSS, che ne ha appoggiato l'azione repressiva, la grave preoccupazione per le inevitabili negative ripercussioni sul complesso dei rapporti Est-Ovest. Dall'altro, per promuovere una convincente manifestazione della solidarietà e coesione dell'alleanza atlantica. Questi obiettivi, per noi ugualmente essenziali, si integrano a vicenda e non debbono a nessun costo essere posti in contrasto reciproco, se vogliamo evitare che la crisi esplosa nell'Est europeo si trasformi in una crisi dell'Occidente.

Sono certo che Lei è già al corrente, attraverso le comunicazioni che abbiamo fatto pervenire per le vie diplomatiche la settimana scorsa, della nostra opinione che fosse quanto mai opportuna una concertazione fra i maggiori Paesi alleati. Di tale nostra convinzione avevamo resi partecipi oltre al Suo Governo anche gli altri governi interessati.

/./.

ce masts
Ops

Abbiamo pertanto già risposto positivamente alla richiesta, che ci è stata formulata da parte americana, di una riunione a livello alti funzionari il giorno 2 febbraio a Londra.

Sono fermamente convinto che occorrerà compiere ogni possibile sforzo per approfondire e consolidare la ricerca di soluzioni concertate fra gli americani ed i maggiori alleati europei.

Colgo l'occasione per rinnovarLe, cara Primo Ministro, l'espressione dei miei più calorosi ed amichevoli saluti.

Giovanni Spadolini"

PRIME MINISTER'S

PERSONAL MESSAGE

ROUGH TRANSLATION

SERIAL No. T 21A/82

Dear Prime Minister,

Thank you for informing me personally about the contents of your recent meeting with the American Secretary of State, Mr. Alexander Haig.

I fully approve of your initiative of raising with Mr. Haig a topic which we follow very closely. Since the beginning our endeavours have had two aims: on one hand to make known to the Polish and Soviet Governments, the latter having endorsed the former's repressive action, our grave preoccupation for the inevitable negative repercussions on East-West relations as a whole; on the other hand to promote a convincing demonstration of solidarity and cohesion within the Atlantic Alliance. These goals, for us equally essential, complete each other and in no way must contradict one another if we are to avoid that the crisis which has flared up in Eastern Europe becomes a crisis for the West.

I am sure that you have already been informed, through the communications we sent via diplomatic channels last week, of our belief that a consultation among the major allied countries was most appropriate. Of this conviction we had informed other interested parties as well as your Government. We have therefore already agreed to the request put to us by the United States of a meeting of high ranking officials to be held in London on February 2nd.

I am firmly convinced that we must spare no efforts in seeking and consolidating the search for agreed solutions between the Americans and the major European allies.

I avail myself of this opportunity, dear Prime Minister, to send you my warmest friendly regards.

Giovanni Spadolini.



10 DOWNING STREET

THE PRIME MINISTER

1 February 1982

Dear Mr. Dankert,

I write to thank you for your letter of 26 January enclosing a resolution of the European Parliament concerning the day of solidarity with the Polish people on 30 January.

I congratulate the Parliament on its initiative. The celebration of the day of solidarity in the United Kingdom was, as is customary in this country, left to non-governmental organisations. You may be interested to see the enclosed text of a statement which I made on 31 January for publication on American television.

Yours sincerely
Rapport Helmer

Mr. P. Dankert



Ref: B06395

PRIME MINISTER

c Sir Robert Armstrong

Poland

BACKGROUND

The ad hoc meeting of Ministers at 4 pm tomorrow has been requested by the Lord Privy Seal because urgent decisions are likely to be needed in the very short interval between tomorrow's 5-power meeting of officials at the American Embassy here and Wednesday's potentially disastrous meeting of the North Atlantic Council in Brussels. The decisions will be on the line Britain should take at the NAC.

(attached)

2. The meeting will have before it a letter which the Lord Privy Seal's Private Secretary is sending to Mr Coles this evening. This merely records the line our representatives will be taking at the 5-power meeting, as follows.

(i) They will be exploring, without commitment and ad referendum to Ministers, whether there is any scope for a deal between Europe and the United States which would safeguard existing European contracts in return for the Europeans taking measures comparable to the Americans' and also taking positive action not to undermine American measures with regard to future contracts; ie the sort of deal you suggested to President Reagan last Friday.

Japan?

(ii) They will be exploring a possible fall-back, if no such deal is immediately available; this would point towards the NAC on Wednesday announcing only the easy measures on which there is general European agreement (political and economic action against Poland but only political action against the Soviet Union), and postponing decisions in the controversial areas (European economic action against the Soviet Union, American "second strike" action and the existing contracts/ not undermining complex).



3. The 5-power meeting is due to end at 3.30 pm. Your meeting will then need to decide

(a) whether, if a deal as at (i) above looks possible, it would be acceptable to Britain;

(b) whether, if not, the fall-back at (ii) above would serve to keep the lid on the pot for the time being.

4. Decision (a) will not arise if it is clear that no deal is in prospect, which may well be the case. But if it does arise it will be difficult. The terms of a deal cannot be predicted before tomorrow at earliest. But to be acceptable to the Americans it would almost certainly involve our committing ourselves to non-undermining in terms which would preclude future contracts with the Soviet Union in energy-related or high technology areas; ie the sort of concession which OD rejected last Thursday. The unattractiveness of that would have to be weighed against the dangers of Alliance disunity and an American second strike.

5. Decision (b) should not be controversial, since the suggested fall-back seems the only one available. There is no way of being sure it will work; but its aim is right - to gain time - and it ought not materially to weaken our bargaining hand for the future.

6. In the absence abroad of the Foreign and Commonwealth Secretary and the Secretary of State for Trade their Departments will be represented at your meeting by the Lord Privy Seal and the Minister for Trade. The Chancellor of the Exchequer, the Secretary of State for Industry and the Minister of Agriculture are also invited to attend or be represented. Each is being allowed to bring one official, to ensure that the meeting has up-to-date information and advice on the outcome of the 5-power meeting which will just have ended. Ministers involved only by virtue of one of the Anglo-Soviet co-operation agreements (the Secretaries of State for the Environment, Social Services and Energy) are known to be content with the proposed reduction of activity in those areas and have therefore not been invited.



HANDLING

7. You will wish to report briefly on your meeting with Mr Haig on Friday; and on your subsequent message to President Reagan.
8. The Lord Privy Seal (or his official) should then be asked to report the outcome of the 5-power meeting.
9. If a deal looks possible, the Lord Privy Seal should speak to it; and the Minister of Trade, followed by the representatives of the Treasury and Department of Industry, should be asked if they can agree. Points to clarify will be.
- (1) Is this the only way of saving John Brown? If so, is it worth doing that even at the cost of potential future business? How much such business might be lost?
- (2) In the absence of a deal, how likely is an American second strike? Will it include steps to force a Polish default? Since OD met, Mr Nott has spoken to Mr Weinberger who was far from reassuring on the first point and sybilline on the second. The Chancellor of the Exchequer may have further evidence.
- (3) Is an early United States gain embargo now likely? The Minister of Agriculture should comment. Would it be a generalised trade ban? Mr Weinberger suggested that the answer to both questions might well be yes. If the Americans go for a general ban, would we be committed to not undermining it? If so, the Minister of Trade should assess the consequences.
10. Whether or not a deal looks possible, the meeting should then consider the suggested fall-back position. Does the Lord Privy Seal think this would hold the position? If so, for how long? Are other Ministers present content with it?



CONCLUSION

11. If a deal looks possible, your colleagues will probably consider that, on balance, following it up would be the lesser evil. But economic Ministers will be at best reluctant; and much will turn on estimates of how headstrong the Americans should otherwise be expected to be.

12. Your summing up should also approve the fall-back, while noting that it may not work. Ministers may need to meet again quickly after the NAC meeting, if dramatic American moves occur or seem imminent.

A handwritten signature in blue ink, appearing to be 'R. L. Wade-Gery'.

1st February 1982

R L WADE-GERY

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

1 February 1982

Dear John

POLAND

As you know, the Americans have taken up the Prime Minister's suggestion for a meeting of senior officials to try to resolve the differences between the Allies before the Meeting of the North Atlantic Council on 3 February. They have invited Political and Economic Directors of France, Germany, Italy and the UK to a meeting at their Embassy in London tomorrow from 10.00 hours to 15.30 hours.

Our representatives will base themselves on the Prime Minister's message to President Reagan of 29 January. They will explore the possibility of reaching an arrangement whereby

'The European Allies took measures comparable to yours, both in their effects on the Soviet Union and in their domestic implications, and took positive action to meet their commitments not to undermine your measures with respect to future contracts, while existing European contracts would go ahead.'

They would do so on the basis that they would report the outcome of the discussion to Ministers. In view of the need for Ministerial guidance before the North Atlantic Council Meeting, you have agreed to arrange for an ad hoc meeting of the Ministers most directly concerned at 16.00 hours on Tuesday 2 February to which officials would report orally.

We have to recognise, however, that agreement may well not prove possible tomorrow. If so, it will be important to avoid public disagreement between the Allies in Brussels the following day. One way of doing this, and of buying a little more time would be for NATO to confine any decisions on 3 February concerning measures towards the Soviet Union to those of a political nature: measures towards Poland agreed at the same time would however be both economic and political. This would entail our announcing a package on Poland and the Soviet Union on the lines set out in the enclosed Note. I hope that our representatives may have discretion to put forward tomorrow the suggestion that NATO should act in this way if serious difficulties develop. If obliged to do this, they would express the firm hope that the Americans would not proceed with unilateral measures while discussions with the Europeans continued. They

/would

A J Coles Esq
10 Downing Street
London SW1

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would reiterate the point made by the Prime Minister in her message to the President that further measures taken unilaterally would not carry the Allies with them but would greatly deepen and expose the divisions within the Alliance.

I am sending copies of this letter to the Private Secretaries of Members of OD, to Robert Lawson (MAFF), Julian West (Energy), David Clarke (DHSS), David Edmonds (Environment) and David Wright (Cabinet Office).

Yours ever

Michael Arthur

M A Arthur
PS/Lord Privy Seal

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POLAND: NAC MEETING ON 3 FEBRUARY

MEASURES TO BE ANNOUNCED AGAINST POLAND:

A. Political

- i. Travel Restrictions on Polish diplomats and certain other official Polish representatives in London and Glasgow.

(A detailed scheme has been agreed interdepartmentally and could be implemented rapidly following a final decision on 3 February.)

- ii. The downgrading of HMG's political, commercial and cultural relations with Poland, while maintaining normal channels of communication in London and Warsaw.
- iii. The increase by five hours per week in BBC broadcasts in the Polish language to Poland (already implemented).
- iv. The contribution of £5,000 towards the coordination of the efforts of the Voluntary and Church Agencies in Britain in providing humanitarian aid to Poland.

B. Economic

- i. That, as agreed with our NATO Allies, the question of official rescheduling of Polish debts of 1982 will be held in suspense.
- ii. That further commercial credits for goods other than food will be placed in abeyance (except where there are existing contractual obligations).
- iii. That, as agreed by EC Foreign Ministers on 26 January, there will be no further sales of EC food at special prices to Poland; funds that would have been available for this purpose now to be diverted to the provision of humanitarian aid through the Voluntary and Church Agencies. The UK to play a full part in this.

/MEASURES TO

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CONFIDENTIAL



MEASURES TO BE ANNOUNCED AGAINST THE SOVIET UNION

- i. Reduction of the free travel area for Soviet officials in London from thirty five to twenty five miles;
- ii. Reduction of activity under all four Anglo/Soviet technical cooperation agreements.

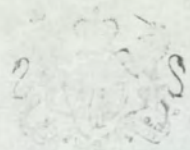
*Health
Spencer & Runt
Nuclear Energy*

[Economic measures still under consideration, NOT to be announced.]

- i. Export Credits French reserve on Community decision to seek in OECD to move the Soviet Union from 'intermediate' to 'relatively rich' category.
- ii. Restrictions on imports of Soviet manufactures. Discussion in progress in EC. = =
- iii. Restrictions on Soviet fish factory ships. -
- iv. Termination of Anglo/Soviet Maritime Agreement. -
- v. Non-undermining.

*Germany
Itchard*

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1/3

Mr. BAREV

10 DOWNING STREET

Private Secretary

1 February 1982

POLAND

24/1

I enclose a letter which the Prime Minister has received from the President of the Bulgarian Liberation Movement. No acknowledgement has been sent. If you consider any reply appropriate, would you please arrange for one to be sent on behalf of the Prime Minister and for us to receive a copy for our records.

A. J. COLES

F. N. Richards, Esq.,
Foreign and Commonwealth Office.

5

Poland

EMBARGO: NOT FOR PUBLICATION, BROADCAST OR USE ON CLUB TAPES
BEFORE 1900 HOURS, GMT, SUNDAY, 31 JANUARY, 1982.

PRIME MINISTER'S MESSAGE FOR THE
'LET POLAND BE POLAND' TELEVISION BROADCAST

Poland has a special place in British history and in British hearts. My generation will never forget that Poland was Britain's ally from first to last in the Second World War. Polish squadrons flew with ours in the Battle of Britain. Polish soldiers fought with ours at Monte Cassino in Italy. Polish sailors died with ours to keep open the Atlantic lifeline from America.

Now, again, we are inspired by the people of Poland. Their longing and their struggle for freedom have kindled new hope in their country and all over Eastern Europe. More than that, they have reminded us in the West of the precious quality of our own freedom. They who know what it is like to live without it.

Their brave struggle warms our hearts. But it has sent a chill of fear through those who seek to hold men in tyranny.

The age old lesson of history is that the human spirit will not live in chains.

In Poland today the flame of freedom may seem to burn less brightly. But it has not been extinguished, nor can it be. Sooner or later the oppressors will understand that they cannot impose their will upon men and women who ask only that Poland may truly represent the indomitable spirit of the Polish people.

SUBJECT

ca Mark
op

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 20/82

00 291910Z JAN
BONN FROM LONDON
CONFIDENTIAL GOVERNMENTAL 0028
BT

p.a.
M 1/2.

HIS EXCELLENCY HERR HELMUT SCHMIDT,
BUNDESKANZLERANT,
BONN

DEAR HELMUT,

AS AL HAIG WAS ON HIS WAY BACK FROM THE MIDDLE EAST, I TOOK THE OPPORTUNITY OF INVITING HIM TO CALL IN HERE ON THE WAY, SO THAT I COULD EXPRESS TO HIM AT FIRST HAND MY DEEP CONCERN AT THE REPORTS NOW COMING OUT OF WASHINGTON ABOUT THE POSSIBILITY OF THE AMERICANS TAKING A SECOND SET OF MEASURES AGAINST THE SOVIET UNION - INCLUDING DENOUNCING THE 1981 AGREEMENT ON POLISH DEBT RESCHEDULING SO AS TO PRECIPITATE A STATE OF FORMAL DEFAULT - AND THE IMPLICATIONS OF THIS FOR US IN EUROPE, AND FOR THE ALLIANCE AS A WHOLE.

HE CONFIRMED THAT THE REPORTS WERE WELL FOUNDED: THERE WERE INDEED THOSE IN WASHINGTON WHO WERE URGING A SECOND AND COMPREHENSIVE SET OF MEASURES. HE TOO WAS OBVIOUSLY DEEPLY CONCERNED ABOUT THE IMPLICATIONS FOR THE ALLIANCE: BUT HE ALSO WARNED US THAT THE PRESIDENT WAS UNDER GREAT POLITICAL PRESSURE AT HOME. HE SAID, IN EFFECT, THAT IF THE UNITED STATES WAS TO STEP BACK (I.E. EXEMPT EXISTING CONTRACTS, AND SUSPEND ANY FURTHER MEASURES), THE ALLIES WOULD HAVE TO TAKE A STEP FORWARD. I SAID THAT WHAT WE NEEDED TO AVOID THE DANGERS OF DEEPENING AND EXPOSING DIVISIONS IN THE WESTERN ALLIANCE, WAS TO REACH AGREEMENT ON A REASONABLE SET OF MEASURES. WE SHOULD ALL BE PLACED IN IMPOSSIBLE DIFFICULTIES BY AN EMBARGO ON EXISTING CONTRACTS, LET ALONE FURTHER MEASURES ON THE LINES NOW SUGGESTED. WE SHOULD HOPE TO MAKE PROGRESS ON THIS AT THE NAC MEETING ON 3RD FEBRUARY: BUT IF NECESSARY WE SHOULD TAKE MORE TIME.

I SUGGESTED TO AL HAIG THAT THE UNITED STATES SHOULD CALL A VERY EARLY MEETING - BEFORE 3RD FEBRUARY - OF SENIOR OFFICIALS FROM FRANCE, THE FEDERAL REPUBLIC OF GERMANY, ITALY, THE UNITED KINGDOM AND THE UNITED STATES, TO AGREE ABOUT NOT UNDERMINING EACH OTHER'S MEASURES, AND TO CONCERT WORTHWHILE MEASURES WHICH EACH OF US COULD TAKE TOWARDS THE SOVIET UNION. HE WELCOMED THE IDEA, WHICH HE WILL TAKE BACK WITH HIM TO WASHINGTON.

I THOUGHT THAT I SHOULD LET YOU KNOW OF THIS BACKGROUND, SO THAT, IF THE AMERICANS APPROACH YOU WITH A VIEW TO SUCH A MEETING, YOU WILL NOT BE TAKEN BY SURPRISE. I VERY MUCH HOPE THAT YOU WILL BE ABLE TO SEND SOMEONE TO TAKE PART. THE DANGERS TO THE ALLIANCE ARE GREAT, AND WE NEED A GREAT EFFORT IF WE ARE TO AVERT THEM. I AM SURE THAT WE IN EUROPE MUST TRY TO MAKE A POSITIVE CONTRIBUTION TO A CONCERTED ALLIANCE EFFORT, NOT LEAST TO PROTECT OUR OWN INTERESTS.

I AM SENDING A SIMILAR MESSAGE TO PRESIDENT MITTERAND AND TO SIGNOR SPADOLINI.

WITH WARM PERSONAL REGARDS,
YOURS EVER
MARGARET.

BT

Subs 25

*ex Martin
ops*

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T19/82

00 291840Z JAN
PARIS FROM LONDON
CONFIDENTIAL GOVERNMENTAL 0029
BT
MISC 039 DATED 29 JANUARY 1982.

*h.a.
M 1/2.*

HIS EXCELLENCY MONSIEUR FRANCOIS MITTERRAND,
PALACE DE L'ELYSEE,
PARIS

DEAR MR PRESIDENT,

AS AL HAIG WAS ON HIS WAY BACK FROM THE MIDDLE EAST, I TOOK THE OPPORTUNITY OF INVITING HIM TO CALL HERE ON THE WAY, SO THAT I COULD EXPRESS TO HIM AT FIRST HAND MY DEEP CONCERN AT THE REPORTS NOW COMING OUT OF WASHINGTON ABOUT THE POSSIBILITY OF THE AMERICANS TAKING A SECOND SET OF MEASURES AGAINST THE SOVIET UNION - INCLUDING DENOUNCING THE 1981 AGREEMENT ON POLISH DEBT RESCHEDULING SO AS TO PRECIPITATE A STATE OF FORMAL DEFAULT - AND THE IMPLICATIONS OF THIS FOR US IN EUROPE, AND FOR THE ALLIANCE AS A WHOLE.

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I THOUGHT THAT I SHOULD LET YOU KNOW OF THIS BACKGROUND, SO THAT, IF THE AMERICANS APPROACH YOU WITH A VIEW TO SUCH A MEETING, YOU WILL NOT BE TAKEN BY SURPRISE. I VERY MUCH HOPE THAT YOU WILL BE ABLE TO SEND SOMEONE TO TAKE PART. THE DANGERS TO THE ALLIANCE ARE GREAT, AND WE NEED A GREAT EFFORT IF WE ARE TO AVERT THEM. I AM SURE THAT WE IN EUROPE MUST TRY TO MAKE A POSITIVE CONTRIBUTION TO A CONCERTED ALLIANCE EFFORT, NOT LEAST TO PROTECT OUR OWN INTERESTS.

I AM SENDING A SIMILAR MESSAGE TO CHANCELLOR SCHMIDT AND TO SIGNOR SPADOLINI.

WITH WARM PERSONAL REGARDS,
YOURS VERY SINCERELY,
MARGARET THATCHER.

BT

SECRET *at Home*
ops

CAB/WH001/29
O 291830Z JAN 82
FROM CABINET OFFICE LONDON
TO WHITE HOUSE
BT
MISC 038
C O N F I D E N T I A L

k.a.
M/2.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. *T 15/82*

HIS EXCELLENCY MR RONALD REAGAN,
PRESIDENT OF THE UNITED STATES,
WHITE HOUSE,
WASHINGTON

DEAR RON,

I WAS MOST GRATEFUL TO AL HAIG FOR REARRANGING HIS PLANS AT SHORT NOTICE TO CALL IN HERE TODAY. IT GAVE US AN INVALUABLE OPPORTUNITY TO HEAR FROM HIM HOW HE HAD GOT ON IN GENEVA AND IN THE MIDDLE EAST: AND WE WERE ABLE TO HAVE A GOOD DISCUSSION OF THE POLISH SITUATION.

I KNOW THAT AL WILL GIVE YOU A FULL ACCOUNT OF OUR TALK: BUT I THOUGHT NEVERTHELESS THAT I SHOULD SEND YOU THIS PERSONAL MESSAGE, TO UNDERLINE MY DEEP CONCERN AT THE DANGER THAT THE UNITY OF THE WESTERN ALLIANCE COULD BE SERIOUSLY DAMAGED BY THE CURRENT DIFFERENCES OVER HOW TO REACT TO THE REPRESSION IN POLAND.

WE MUST AT ALL COSTS AVOID A DEMONSTRATION OF DISUNITY IN THE ALLIANCE WHICH WOULD GIVE MOSCOW A FIRST CLASS PROPAGANDA VICTORY AND IMPAIR OUR EFFORTS TO CHECK FURTHER ADVENTURISM ON THEIR PART IN THE FUTURE. WE MUST ALSO AVOID MEASURES WHICH WOULD DO MORE HARM TO THE WEST THAN TO THE SOVIET UNION.

I HAVE TAKEN A CLOSE INTEREST IN THE PREPARATION OF A PACKAGE OF BRITISH MEASURES BOTH TOWARDS POLAND AND TOWARDS THE SOVIET UNION. WE HAVE ALREADY SAID IN NATO THAT WE WOULD BE WILLING TO TAKE A NUMBER OF MEASURES AS PART OF AN ALLIED REACTION TO COMPLEMENT YOUR OWN RESOLUTE STAND, PROVIDED THAT WE CAN ALL AGREE ABOUT NOT UNDERMINING EACH OTHER'S MEASURES.

THE MEASURES WHICH THE UNITED KINGDOM HAS TAKEN, OR WOULD IN PRINCIPLE BE WILLING TO TAKE, INCLUDE:

TOWARDS POLAND: RESTRICTIONS ON POLISH DIPLOMATIC MISSIONS, INCREASED BROADCASTS, ALREADY BEGUN, TO POLAND: SUSPENSION OF COMMERCIAL CREDIT EXCEPT FOR CONTRACTS ALREADY CONCLUDED: THE PLACING IN SUSPENSE OF NEGOTIATIONS ABOUT DEBT RESCHEDULING FOR 1982: THE SUSPENSION WITH OUR PARTNERS IN THE EUROPEAN COMMUNITY OF FOOD EXPORTS AT SPECIALLY SUBSIDISED PRICES: AND INCREASED HUMANITARIAN AID TO THE POLISH PEOPLE.

TOWARDS THE SOVIET UNION: SIGNIFICANT NEW RESTRICTIONS ON SOVIET DIPLOMATS: REDUCED ACTIVITY UNDER TECHNICAL CO-OPERATION AGREEMENTS: CLEAR EXPOSURE IN THE MADRID REVIEW CONFERENCE OF SOVIET COMPLICITY IN THE REPRESSION IN POLAND: READINESS TO MOVE WITH OUR EUROPEAN COMMUNITY PARTNERS TO INCREASE THE INTEREST RATES ON EXPORT CREDIT AND TO RESTRICT CERTAIN IMPORTS FROM THE SOVIET UNION: TERMINATION, IN CONCERT WITH OTHERS, OF OUR BILATERAL MARITIME AGREEMENT: AND NEW RESTRICTIONS ON SOVIET FACTORY SHIPS.

I AM SURE THAT OUR JOINT OBJECTIVE NOW SHOULD BE A CREDIBLE AND UNITED ALLIED POSITION, TO DEMONSTRATE OUR REJECTION OF MARTIAL LAW AND OF THE SOVIET HAND IN IT. WE MUST NOT ALLOW THE SOVIET CRISIS IN POLAND TO BRING ABOUT A CRISIS IN THE WESTERN ALLIANCE WHICH WOULD SUIT ONLY SOVIET PURPOSES.

I KNOW YOU AGREE WITH THIS AIM. THE QUESTION IS HOW TO ATTAIN IT. I CAN WELL UNDERSTAND WHY SOME OF YOUR PEOPLE MAY BE GROWING IMPATIENT AND THINKING OF A SECOND SET OF AMERICAN MEASURES AGAINST THE SOVIET UNION. MY FEAR IS THAT FURTHER MEASURES TAKEN UNILATERALLY WOULD NOT CARRY THE ALLIES WITH THEM BUT WOULD GREATLY DEEPEN AND EXPOSE THE DIVISIONS WITHIN THE ALLIANCE. THAT COULD ADVANCE SOVIET INTERESTS MORE THAN YOUR NEW MEASURES WOULD SET THEM BACK. I HOPE THEREFORE THAT YOU WILL FEEL ABLE TO HOLD BACK ON FURTHER MEASURES UNTIL WE HAVE THOROUGHLY EXPLORED THE POSSIBILITY OF A UNITED ALLIED POSITION.

I UNDERSTAND THAT NEW MEASURES UNDER CONSIDERATION IN WASHINGTON MAY INCLUDE STEPS SUCH AS DENUNCIATION OF THE 1981 AGREEMENT ON RE-SCHEDULING POLISH DEBT, WHICH WOULD LEAD TO A POLISH DEFAULT. BUT THE IMMEDIATE EFFECT OF THAT WOULD BE THAT THE POLES WOULD GIVE UP THEIR PRESENT EFFORTS TO MAKE SUCH PAYMENTS AS THEY CAN UNDER THE RESCHEDULING ARRANGEMENTS, EITHER TO WESTERN GOVERNMENTS OR TO WESTERN BANKS. THAT IN TURN WOULD TAKE PRESSURE OFF THE SOVIET UNION TO HELP THEM. ON THE OTHER SIDE, THE EFFECTS ON THE INTERNATIONAL BANKING SYSTEM WOULD BE UNPREDICTABLE, AND PROBABLY VERY SEVERE, PARTICULARLY IF OTHER DEFAULTS FOLLOWED. THESE EFFECTS WOULD CERTAINLY NOT BE CONFINED TO EUROPE. THE DAMAGE TO THE WEST COULD BE AT LEAST AS GREAT AS THE DAMAGE TO THE SOVIET UNION. THE HEALTH OF THE INTERNATIONAL FINANCIAL SYSTEM IS A WESTERN, NOT A SOVIET INTEREST. THEY HAVE EVERY REASON TO REJOICE IF IT IS IMPAIRED.

WHAT WE NEED NOW IS A REASONABLE SET OF MEASURES, JOINTLY AGREED. THIS IS THE DIRECTION IN WHICH WE SHOULD ALL BE WORKING. MY OWN VIEW IS THAT THE MOST PROMISING BASIS FOR AGREEMENT WOULD BE AN ARRANGEMENT WHEREBY THE EUROPEAN ALLIES TOOK MEASURES COMPARABLE TO YOURS, BOTH IN THEIR EFFECTS ON THE SOVIET UNION AND IN THEIR DOMESTIC IMPLICATIONS, AND TOOK POSITIVE ACTION TO MEET THEIR COMMITMENTS NOT TO UNDERMINE YOUR MEASURES WITH RESPECT TO FUTURE CONTRACTS, WHILE EXISTING EUROPEAN CONTRACTS WOULD GO AHEAD. I REALISE THAT THIS LAST CONSIDERATION IS A DIFFICULT ONE FOR YOU. BUT THE FRENCH, GERMANS AND ITALIANS CANNOT AND WILL NOT GIVE UP THE GAS PIPELINE PROJECT, WHATEVER ONE MAY THINK OF ITS MERITS. WE TOO HAVE IMPORTANT CONTRACTS AT STAKE, NOTABLY ONE HELD BY JOHN BROWN ENGINEERING, THE CANCELLATION OF WHICH WOULD CAUSE ADDITIONAL UNEMPLOYMENT. AN ACCOMMODATION ON EXISTING CONTRACTS IS THEREFORE ESSENTIAL TO ALLIED UNITY OVER POLAND.

YOUR MEASURES OF 29 DECEMBER SENT A CLEAR SIGNAL TO THE SOVIET UNION WITHOUT SERIOUSLY COMPROMISING YOUR OWN INTERESTS. WE SHOULD ALL BE FOLLOWING SUIT. ALTHOUGH THE NATO DISCUSSIONS HAVE SO FAR BEEN FRUSTRATINGLY SLOW, IT SHOULD SURELY BE POSSIBLE, IF YOU COULD MOVE ON EXISTING CONTRACTS, FOR THE REST OF US, TO REACH AGREEMENT ON MEASURES COMPARABLE TO YOURS. WE SHOULD LOOK RESOLUTE AND UNITED: AND WE SHOULD STILL HAVE SOME SHOTS LEFT IN OUR LOCKERS.

I SUGGESTED TO AL HAIG THAT THE BEST APPROACH NOW WOULD BE FOR THE US TO ARRANGE SECRET CONSULTATIONS IN THE VERY NEAR FUTURE BETWEEN SENIOR OFFICIALS FROM THE ALLIED COUNTRIES MOST CLOSELY CONCERNED—YOU, US, THE FRENCH, THE GERMANS, AND I THINK IN THIS CASE THE ITALIANS. THIS SHOULD ENABLE US TO MAKE PROGRESS AT THE NATO MEETING ON 3 FEBRUARY. BUT I THINK THAT A FURTHER NATO MEETING MAY WELL BE NEEDED A FEW DAYS AFTER THAT.

IT WILL ALSO BE IMPORTANT TO CARRY THE JAPANESE AND OTHERS IN OUR PLANS. IT WOULD NOT BE TOLERABLE TO ASK OUR OWN INDUSTRIES TO FORGO OPPORTUNITIES ONLY TO SEE THEM SEIZED BY JAPAN.

WE HAVE THE OPPORTUNITY TO SHOW THE SOVIET UNION A FIRM UNITED FRONT. WHAT WE CAN ACHIEVE TOGETHER IN THIS CAN GIVE US A LASTING BOOST TO ALLIED UNITY AND A SETBACK TO SOVIET AMBITIONS. WE HAVE EMBARKED ON THIS COURSE AND SHOULD MAKE EVERY POSSIBLE EFFORT TO CARRY IT THROUGH TO A SUCCESSFUL CONCLUSION. THE CRISIS IN POLAND LOOKS LIKE BEING A PROLONGED ONE. WE RISK LOSING THE PRIZE IF WE ACT HASTILY OR OUT OF STEP.

WITH WARM PERSONAL REGARDS,
MARGARET.

NNNN

DSL 20302

CONFIDENTIAL



Poland

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/10696/82

Your ref:

29 January 1982

N.B. P.A.

ML 1/2

Dear Michael

POLAND: UK/SOVIET ENVIRONMENTAL PROTECTION AGREEMENT

Thank you for copying to me your letter of 27 January to John Coles.

My Secretary of State has noted that the meeting of OD on 28 January was not being asked to decide on the issue which is of concern to this Department - the treatment of bilateral exchange agreements - but that this might be discussed early next week. My Secretary of State have, of course, already recorded his view - that outright cancellation of the Environmental Agreement would not be justified - in his letter of 25 January to the Foreign Secretary, and has asked for an opportunity of discussion with colleagues if formal termination becomes a serious possibility.

I should add that our information is that the Americans do not intend to terminate their bilateral environmental agreement with the Russians, which falls due for renewal in May. It would be odd if we were to give notice of terminating our Agreement when the Americans are prepared to renew theirs. Perhaps this point could at least be reflected in the Scientific/Technical Co-operation column of your second annex.

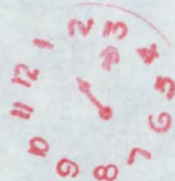
I am copying this letter to John Coles and the other recipients of yours.

*Yours sincerely,
Helen Ghosh*

MRS H F GHOSH
Private Secretary

M A Arthur Esq
PS/Lord Privy Seal

1 FEB 1982



29 January 1982

Day of Solidarity with the Polish People

Thank you for your letter of 29 January. As I told you on the telephone, I see no objection to you sending to the US Embassy a copy of the Prime Minister's message for Solidarity Day, provided the Embassy's attention is drawn to the embargo described in your letter.

AJC

F.N. Richards, Esq.,
Foreign and Commonwealth Office.
F

15

MR COLES 10 DOWNING ST
CONFIDENTIAL

GRS 260

CONFIDENTIAL
FM WASHINGTON 300140Z JAN 82
TO PRIORITY F C O
TELEGRAM NUMBER 290 OF 29 JANUARY

MY TELNO 250: POLISH DEBTS

1. ECONOMIC MINISTER HAD A TALK ABOUT THIS AT A LUNCH WITH LELAND TODAY. LELAND SAID THAT AS FAR AS THE TREASURY WERE CONCERNED, HE SAW NO SENSE IN QUOTE DECLARING UNQUOTE A DEFAULT. FOR PRACTICAL PURPOSES, THE POLES WERE ALREADY IN DEFAULT. MAKING A FORMAL STATEMENT TO THAT EFFECT DID NOT ACHIEVE ANYTHING MORE. BANK EXAMINERS WOULD ANYWAY NOW START INSISTING ON APPROPRIATE PROVISIONS BEING MADE FOR BAD DEBTS. HE ASSUMED THAT, WHETHER DEFAULT WAS DECLARED OR NOT, NO ONE WOULD BE SO FOOLISH AS TO LEND MORE MONEY TO POLAND, OR EVEN TO THE USSR EXCEPT ON THE MOST SHORT-TERM BASIS. LELAND ADDED, HOWEVER, THAT THE FACT THAT PROPOSALS LIKE THIS WERE UNDER CONSIDERATION WAS EVIDENCE OF THE FRUSTRATION AT THE SLOW REACTION IN EUROPE TO THE AMERICAN REQUEST FOR EFFECTIVE ACTION AGAINST POLAND. UNFORTUNATELY IT SOMETIMES SEEMED EASIER FOR THE UNITED STATES TO DO THINGS THAT WOULD HURT HER FRIENDS THAN TO ACHIEVE, ALONE, THINGS THAT WOULD HURT HER ENEMIES.

HENDERSON

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PS/LORD TREFGARNE
PS/PUS
MR BULLARD
LORD BRIDGES
MR GOODISON
MR EVANS
MR HANNAY
MR HAYES
MR DAY

ADDITIONAL DISTRIBUTION
EASTERN EUROPEAN ECONOMIC

THIS TELEGRAM
WAS NOT
ADVANCED

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h-a.
Mr 1/2

Interviewer: Can we ask you about the reasons for this visit and what you talked about?

Mr. Haig: Why sure. I have just completed an important trip - meetings in Geneva with Foreign Minister Gromyko. A trip to Israel and Egypt where we dealt with the peace process. I briefed the Prime Minister on both of these events and it was particularly pertinent because President Mubarak of Egypt will be here at the end of next week, in London.

Interviewer: Did you discuss Poland at all?

Mr. Haig: Of course.

Interviewer: Can you tell us whether, can you tell us a little more about your discussions, Sir, and you are a long long way away from the microphone!

Mr. Haig: Well I don't make it a habit of kissing tele - you know that now - I've been here too long for that.

Interviewer: But was it a kissing situation so to speak. In other words are you satisfied that Europe and the United States are now in step over Poland?

Mr. Haig: I've been very very encouraged by the Western unity demonstrated first at the NATO meeting several weeks ago, subsequent action that have been taken here in Europe, in the Ten, and unilaterally by our Member States. And thus far I would say we have kept a very strong united front and that was clear in my discussions with the Prime Minister.

Interviewer: With the benefit of hindsight, Sir, do you think the United States could have been a little more tough in its initial approach over the Polish crisis?

Mr. Haig: Well I think one can debate that. I think we sent a very strong signal and that was re-enforced again this week at / the Ministerial

the Ministerial level with the Soviet Union.

Interviewer: You didn't seem very happy, Sir, at the beginning with the reaction in Europe over Poland. Have you now been reassured, have you been more encouraged by what you have been hearing from Europe now?

Mr. Haig: Well, as I said I was very satisfied with the NATO Meeting which I participated in and the actions that have occurred subsequently. I think its vitally important we all stay together in a united front.

Interviewer: But do you now think its time to step up the reaction on Poland. Are you thinking now in terms of more sanctions?

Mr. Haig: Well I think that we all have judged that the situation continues to deteriorate. And that means we have to assess every step of the way when those conditions continue to prevail as they have. We made it very clear what we hope for and expect.

Interviewer: What do you think the next step along the road, as it were, will be?

Mr. Haig: Oh I'll leave that to the events. Thank you very much.

Dear Ron

I was most grateful to Al Haig for rearranging his plans at short notice to call in here today. It gave us an invaluable opportunity to hear from him how he had got on in Geneva and in the Middle East; and we were able to have a good discussion of the Polish situation.

I know that Al will give you a full account of our talk; but I thought nevertheless that I should send you this personal message, to underline my deep concern at the ^{larger} ~~damage~~ that the unity of the Western Alliance could be seriously damaged by the current differences over how to react to the repression in Poland. ~~I believe that a major effort is needed to preserve our unity~~

We must at all costs avoid a demonstration of disunity in the Alliance which would give Moscow a first class propaganda victory and impair our efforts to check further adventurism on their part in the future. We must also avoid measures which would do more harm to the West than to the Soviet Union.

I have taken a close interest in the preparation of a package of British measures both towards Poland and towards the Soviet Union. We have already said in NATO that we would be willing to take a number of measures as part of an Allied reaction to complement your own resolute stand, provided that we can all agree about not undermining each other's measures.

The measures which the United Kingdom has taken, or would in principle be willing to take, include:

Towards Poland: restrictions on Polish diplomatic missions; increased broadcasts, already begun, to Poland; suspension of commercial credit except for contracts already concluded; the placing in suspense of negotiations about debt rescheduling for 1982; the suspension with ^{our partners in the European Community} ~~the EC~~ of food exports at specially subsidised prices; and increased humanitarian aid to the Polish people.

Towards the Soviet Union: significant new restrictions on Soviet diplomats; reduced activity under technical co-operation agreements; clear exposure in the Madrid Review Conference

Prime Minister

Final text of
letter sent to

President Reagan.

A.S.C. 29/1

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of Soviet complicity in the repression in Poland; readiness to move with our European Community partners to increase the interest rates on export credit and to restrict certain imports from the Soviet Union; termination, in concert with others, of our bilateral maritime agreement; and new restrictions on Soviet factory ships.

I am sure that our joint objective now should be a credible and united allied position, to demonstrate our rejection of martial law and of the Soviet hand in it. We must not allow the Soviet crisis in Poland to bring about a crisis in the Western Alliance which would suit only Soviet purposes.

I know you agree with this aim. The question is how to attain it. I can well understand why some of your people may be growing impatient and thinking of a second set of American measures against the Soviet Union. My fear is that further measures taken unilaterally would not carry the Allies with them but would greatly deepen and expose the divisions within the Alliance. That could advance Soviet interests more than your new measures would set them back. I hope therefore that you will feel able to hold back on further measures until we have thoroughly explored the possibility of a united allied position.

I understand that new measures under consideration in Washington may include steps such as denunciation of the 1981 Agreement on re-scheduling Polish debt, which would lead to a Polish default. But the immediate effect of that would be that the Poles would give up their present efforts to make such payments as they can under the rescheduling arrangements, either to Western Governments or to Western banks. That in turn would take pressure off the Soviet Union to help them. On the other side, the effects on the international banking system would be unpredictable, and probably very severe, particularly if other defaults followed. These effects would certainly not be confined to Europe. The damage to the West could be at least as great as the damage to the Soviet Union. The health of the international financial system is a Western, not a Soviet interest. They have every reason to rejoice if it is impaired.

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What we need now is a reasonable set of measures, jointly agreed. This is the direction in which we should all be working. My own view is that the most promising basis for agreement would be an arrangement whereby the European allies took measures comparable to yours, both in their effects on the Soviet Union and in their domestic implications, and took positive action to meet their commitments not to undermine your measures with respect to future contracts, while existing European contracts would go ahead. I realise that this last consideration is a difficult one for you. But the French, Germans and Italians cannot and will not give up the gas pipeline project, whatever one may think of its merits. We too have important contracts at stake, notably one held by John Brown Engineering, the cancellation of which would cause additional unemployment. An accommodation on existing contracts is therefore essential to allied unity over Poland.

Your measures of 29 December sent a clear signal to the Soviet Union without seriously compromising your own interests. We should all be following suit. Although the NATO discussions have so far been frustratingly slow, it should surely be possible if you could move on existing contracts, for the rest of us, to reach agreement on measures comparable to yours. We should look resolute and united; and we should still have some shots left in our lockers.

I suggested to Al Haig that the best approach now would be for the US to arrange secret consultations in the very near future between senior officials from the allied countries most closely concerned - you, us, the French, the Germans, and I think in this case the Italians. This should enable us to make progress at the NATO meeting on 3 February. But I think that a further NATO meeting may well be needed a few days after that.

It will also be important to carry the Japanese and others in our plans. It would not be tolerable to ask our own industries to forgo opportunities only to see them seized by Japan.

We have the opportunity to show the Soviet Union a firm united front. What we can achieve together in this can give a lasting boost to allied unity and a setback to Soviet ambitions. We have embarked on this course and should make every possible effort to carry it through to a

CONFIDENTIAL

successful conclusion. The crisis in Poland looks like being a prolonged one. We risk losing the prize if we act hastily or out of step.

With warm personal regards

Margaret

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Foreign and Commonwealth Office

London SW1A 2AH

29 January 1982

Dear John,

Day of Solidarity with the Polish People

I enclose a note of the elements which the US Embassy have told us will be included in the message which President Reagan will broadcast on the Day of Solidarity with Poland on 30 January.

Unless you see objection, we propose to send the US Embassy in return a copy of the Prime Minister's message for Solidarity Day, drawing the Embassy's attention to the embargo on its use and publication before 1900 GMT on 31 January.

As time is short perhaps you could telephone to confirm that this gives you no difficulty.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

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29 JAN 1982



ELEMENTS FOR INCLUSION IN PRESIDENT REAGAN'S MESSAGE FOR
DAY OF SOLIDARITY WITH THE POLISH PEOPLE

The people of Poland have a long tradition of faith and freedom that no oppressor has been able to destroy. Their proud spirit is symbolised by Solidarity.

As a long-term union member and union President, I feel a special bond with this courageous labour movement. Solidarity symbolises the struggle of real workers in a so-called workers' state for fundamental rights.

The peaceful efforts of Solidarity have been met with brutal repression. In attacking Solidarity its enemies attack an entire people. With their families Solidarity members account for the overwhelming majority of the Polish nation.

We have acted firmly and deliberately on behalf of Poland's freedom with sanctions against the Polish Military Government and the Soviet Government that backs its suppression. If events in Poland continue to deteriorate we shall take further steps.

There is a spirit of solidarity in the world today that no physical force can crush. It crosses national boundaries and enters the hearts of men and women everywhere.

The people of the free world stand as one with our Polish brothers and sisters. Their cause is ours. We call for an end to repression and the return of basic internationally guaranteed human rights in Poland.

In rallies round the world and in our hearts and prayers we are resolved in the words of a beloved Polish song to let Poland be Poland.

DRAFT

(2)

As Al Haig was on his way back from the Middle East, I took the opportunity of inviting him to call in here on the way, so that I could express to him at first hand my ^{deep} concern ~~about~~ ^{at} the reports now coming out of Washington about the possibility of the Americans taking a second set of measures against the Soviet Union - including denouncing the 1981 Agreement on Polish debt rescheduling so as to precipitate a state of formal default - and the implications of this for us in Europe, and for the Alliance as a whole.

He confirmed that the reports were well founded: there were ^{indeed} those in Washington who were urging a second ^{and comprehensive} set of measures. He ^{too} was obviously deeply concerned about the implications for the ~~Allies~~ ^{Alliance}; but he also warned us that the President was under ^{great} considerable political pressure at home. He said, in effect, that if the United States was to step back (i.e. exempt existing contracts, and suspend any further measures), the allies would have to take a step forward. I said that what we needed, to avoid the dangers of deepening and exposing divisions in the Western Alliance, was to reach agreement on a reasonable set of measures. We should all be placed in impossible difficulties by an embargo on existing contracts, [✓] We should hope to make progress on this at the NAC meeting on 3rd February; but if necessary we should take more time.

I suggested to Al Haig that the United States should call a very early meeting - before 3rd February - of senior officials from France, the Federal Republic of Germany, Italy, the United Kingdom and the United States, to agree about not undermining each other's measures, and to concert worthwhile measures which each of us could take towards the Soviet Union. He welcomed the idea, which he will take back with him to Washington.

Prime Minutes

Text of letter sent
from you to Amelio
Schmidt, deindat
Ritter and Lige
Gadolini.

A. J. C. 29.
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let alone further
measures on the
lines now
suggested.

I thought that I should let you know of this background, so that, if the Americans approach you with a view to such a meeting, you will not be taken by surprise. I very much hope that you will be able to send someone to take part. The dangers to the Alliance are great, and we need a great effort if we are to avert them. I am sure that we in Europe must try to make a positive contribution to a concerted Alliance effort, not least to protect our own interests.

POLAND : ADVANCE COPIES

37

IMMEDIATE

PS (6)
 PS/LFS (3)
 PS/LORD TREFGARNE
 PS/PUS
 MR BULLARD
 LORD BRIDGES
 MR EVANS
 MR WRIGHT
 MR GILLMORE
 MR GOODISON
 HD/TRED
 HD/UND
 HD/EESD(ALLOCATED)
 HD/DEF D
 HD/PUSD (2)
 HD/WED
 HD/ECD(E)
 HD/PLANNING STAFF
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 HD/CONS EM UNIT
 RESIDENT CLERK

NO 10 DOWNING ST
 ASSESSMENT STAFF
 CABINET OFFICE

DIO CABINET OFFICE

MR FRANKLIN
 MR CAINES
 MR CORLEY
 MR POWNALL

OT/DOT

M

Prime Minister to see.

GRS 700

CONFIDENTIAL

FM WARSAW 291555Z JAN 82

TO IMMEDIATE FCO

TELNO 184 OF 29TH JANUARY 1982

INFO PRIORITY : WASHINGTON, UKDEL NATO, MOSCOW, PARIS, BONN AND HOLY SEE.

INFO SAVING: EAST BERLIN, PRAGUE, ISOFIA, BELGRADE, BUDAPEST, BUCHAREST, UKMIS NEW YORK, UKREP BRUSSELS, HELSINKI AND STOCKHOLM

MY TEL NO 111: POLAND: THE CHURCH.

N.P.G. Mitchell

Duty Clerk
29/1/82

1. ARCHBISHOP GLEMP, ACCOMPANIED BY CARDINAL MACHARSKI, WILL BE TRAVELLING TO ROME NEXT WEEK FOR CONSULTATIONS WITH THE POPE. IT MAY BE TIMELY TO ASSESS WHERE THE CHURCH NOW STANDS.

2. IN THE ABSENCE OF ANY GENUINE POLITICAL PROGRESS IN POLAND OVER THE PAST TWO WEEKS, THE CHURCH HAS BEEN LEFT NO ROOM FOR MANOEUVRE BETWEEN THE HARDENING REQUIREMENTS OF JARUZELSKI AND THE INCREASINGLY TOUGH DEMANDS OF SOLIDARITY LEADERS. JARUZELSKI'S SPEECH TO THE SEJM ON 25 JANUARY HELD OUT NO HOPE FOR RECONCILIATION WITH SOLIDARITY WHICH WAS BARELY MENTIONED EXCEPT IN A PEJORATIVE SENSE, OR FOR ANY RESUMPTION OF THE POLITICAL DIALOGUE. FOR THEIR PART SOLIDARITY LEADERS, WITH WHOM GLEMP SPENT SIX HOURS OVER THE WEEKEND, ARE, SO GLEMP TOLD THE CANADIAN AMBASSADOR, BECOMING MORE RADICAL AND MORE DIFFICULT. GLEMP'S COMMENT TO SENATOR PRESSLER THAT WALESA WAS

SO GLEMP TOLD THE CANADIAN AMBASSADOR, BECOMING MORE RADICAL AND MORE DIFFICULT. GLEMP'S COMMENT TO SENATOR PRESSLER THAT WALESA WAS TRYING TO BRING THE PARTY TO ITS KNEES, WHICH WAS SUBSEQUENTLY LEAKED TO THE AMERICAN PRESS, HAS NOT BEEN DENIED BY THE CHURCH HERE. THERE IS NO GIVE ON EITHER SIDE AND GLEMP IS SAID TO BE INCREASINGLY DEPRESSED AND FED UP WITH BOTH GOVERNMENT AND SOLIDARITY.

3. FRUSTRATED ON THIS FRONT, THE CHURCH HAS BEEN CONCENTRATING ON ALLEVIATING THE CONTINUING REPRESSIVE EFFECTS OF MARTIAL LAW ON THE CATHOLIC FLOCK AND PARTICULARLY ON THE DETAINEES. THE STRONGLY WORDED PASTORAL LETTER EXTOLLING FREEDOM AND CRITICISING MARTIAL LAW WAS PUBLISHED LAST WEEK. IT WAS THEN READ OUT IN CHURCHES ON SUNDAY BUT ITS CUTTING EDGE WAS BLUNTED BY THE SERMON DELIVERED IN WARSAW BY THE PRIMATE WHICH PRAISED MODERATION AND WHICH SPECIFICALLY SUPPORTED THE IDEA OF SETTING UP LOCAL COMMITTEES OF NATIONAL SALVATION WITH THE PARTICIPATION OF LAY CATHOLICS. THIS SERMON WAS PICKED UP AND RE-BROADCAST BY WARSAW RADIO AND WAS QUOTED WITH APPROVAL BY PAP AND IN MONDAY'S PRESS.

4. THIS WAS AN IMPORTANT CONCESSION BY THE CHURCH, SINCE, AS WE HAVE BEEN REPORTING OVER THE PAST TWO WEEKS, THE GOVERNMENT CLEARLY SETS MUCH STORE BY THE FORMATION OF THESE LOCAL COMMITTEES. THEY LOOK AS IF THEY MAY BE PAVING THE WAY FOR THE REVIVAL OF THE CONCEPT OF A FRONT OF NATIONAL UNDERSTANDING UNDER A DIFFERENT NAME. THEY COULD ALSO BE USED AS A MEANS OF EXCLUDING ANY FUTURE "POLITICAL" TRADE UNION, THUS CONSIGNING AN EVENTUAL SUCCESSOR TO SOLIDARITY TO A PURELY INDUSTRIAL ROLE. THE PARTICIPATION OF LAY CATHOLICS WITH THE CHURCH'S BLESSING IN SUCH COMMITTEES REPRESENTS A SIGNIFICANT VICTORY FOR THE GOVERNMENT. WE HAVE ALSO BEEN TOLD THAT GLEMP HAS NOT TOTALLY REJECTED IDEAS PUT TO HIM FOR THE FORMATION OF SOME KIND OF CHRISTIAN DEMOCRAT PARTY FOR WHICH LAY CATHOLIC PARTICIPATION IN A LOCAL POLITICAL FORM MIGHT BE A FORE-RUNNER.

5. GLEMP IS RUMOURED TO HAVE CLAIMED THAT HE MADE THIS CONCESSION AS PART OF A BARGAIN WITH THE GOVERNMENT IN RETURN FOR JARUZELSKI'S AGREEMENT TO ANNOUNCE SOME SUBSTANTIVE RELAXATIONS OF MARTIAL LAW IN HIS SPEECH TO THE SEJM. HE IS NOW SAID TO BE FURIOUS THAT JARUZELSKI DID NOT STICK TO THE DEAL. WHETHER THIS IS TRUE OR NOT, THERE IS LITTLE DOUBT THAT MANY POLES ARE DISAPPOINTED WITH GLEMP'S SUNDAY SERMON.

6. IN THIS LATEST EXCHANGE GLEMP SEEMS TO HAVE BEEN OUT-MANOEUVRED. THERE IS CONSEQUENTLY LOCAL TALK OF THE POPE'S DISPLEASURE WITH GLEMP, WHICH IS SAID TO ACCOUNT FOR THE LATTER'S SUDDEN

6. IN THIS LATEST EXCHANGE GLEMP SEEMS TO HAVE BEEN
MANOEUVRED. THERE IS CONSEQUENTLY LOCAL TALK OF THE POPE'S DISPLEA-
SURE WITH GLEMP, WHICH IS SAID TO ACCOUNT FOR THE LATTER'S SUDDEN
CALL TO ROME. IN FACT THE ITALIAN EMBASSY TELL US THAT GLEMP'S VISIT,
IF NOT THE ACTUAL DATES, HAS BEEN PLANNED FOR SOME TIME. THE POPE
WILL CLEARLY WISH TO HAVE A FIRST HAND BRIEFING FROM THE POLISH
PRIMATE AND, WHEN GLEMP RETURNS TO WARSAW, HE WILL BE ABLE TO RENEW
HIS DIFFICULT NEGOTIATING ROLE WITH THE BOZW AO

WTRTRENTH OF

THE POPE'S DIRECT SUPPORT.

FCO PLEASE PASS SAVING TO ALL SAVING ADDRESSES

MELHUI SH

NNNN

SUBJECT

SECRET

RECORD OF A CONVERSATION OVER LUNCH BETWEEN THE PRIME MINISTER
AND THE UNITED STATES SECRETARY OF STATE AT 1400 HOURS AT 10 DOWNING
STREET ON 29 JANUARY 1982

Present:

The Prime Minister
The Lord Privy Seal
Sir Robert Armstrong
Sir Michael Palliser
Sir Kenneth Couzens
Mr. Michael Franklin
Mr. John Coles

The Hon. Alexander Haig
His Excellency the American
Ambassador
The Hon. Edward J. Streator
Mr. Sherwood Goldberg

* * * * *

MIDDLE EAST

Mr. Haig said that his trip to the Middle East had been worthwhile. There had been some concern that Mr. Begin, following the annexation of the Golan Heights, might take some other rash action. If he had moved to annex the West Bank, this would have created an impossible situation. But attention had now been re-focused on the need to make progress with the peace process. The Lord Privy Seal asked whether there was any doubt about Israel maintaining the timetable of withdrawal from Sinai. Mr. Haig replied that he believed the withdrawal would be implemented. The rhetoric on both sides had been toned down as a result of his visit. Both Egypt and Israel saw the possibilities of progress though the differences between them were still large. Thanks to the help of Lord Carrington, the Israeli Cabinet would consider at its Cabinet meeting on 31 January the question of European participation in the Sinai force and he believed that a favourable decision would be taken. He considered that this issue was now settled. He had also been able to solve an Egyptian/Israeli problem regarding the Straits of Tiran. An observation post would be put on the islands and this would satisfy Mr. Begin. He believed the peace process was now back on course. But if the PLO made a move in the Lebanon, Begin was spoiling to move in. The Americans had done their best to make this clear to the PLO and believed they understood the situation. He could not, however, rule out some extremist Palestinian group provoking a crisis.

SECRET

/ The Prime Minister

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The Prime Minister said that the President of Egypt was visiting London next week. Her impression was that he was handling the situation competently. Mr. Haig described Mubarak as "sturdy but not Sadat". His rhetoric was closer to that of Nasser. This could cause trouble. He had spoken defensively about his decision to bring some Soviet technicians back. There were to be 35 in one Soviet-aided plant, 12 in another, 10 in another, and all for short periods. Mubarak argued that this was of no significance. Egypt's Mirage deal with France had also caused the Americans' concern. The Israeli lobby asked why America should help Egypt when Egypt had money for such an arms project. He wondered whether Saudi money was involved. Sir Michael Palliser suggested that it was in the general interest that Egypt should rebuild its bridges with Saudi Arabia. Mr. Haig said that at his last meeting with Mr. Gromyko, the latter's attitude on the Middle East appeared to have changed. At a previous meeting he had not mentioned the Middle East. This time he had argued that Camp David was dead, and that the Soviet Union should be reinserted in the peace process. He said that the Russians wanted only a small Palestinian state, after which they would recognise Israel within its 1967 borders. It was clear that Gromyko smelt a new opportunity. The Russians were now much more active in Syria. He was also worried about their activity in Iran. Change could be expected in the Middle East region. His nightmare was that if Egypt moved too quickly towards Saudi Arabia and was then disappointed in the response, it might be tempted to move closer towards the Soviet Union. In the past Saudi responses to Egyptian overtures usually had been disappointing. The Prime Minister pointed out that the Saudis now had more resources. The Lord Privy Seal thought that Egypt was likely to move closer towards other Arabs after Sinai withdrawal. Was Mubarak's position dependent on the completion of the withdrawal process? Mr. Haig said that if this went wrong Mubarak would be finished. But he did not believe it would. He added that in Israel Mr. Begin had wanted to resume business as usual with the United States but he had made it plain that this was not possible. It would take time to restore the level of confidence destroyed by the Israeli move on Golan. Begin was shaken. The Prime Minister commented that Begin had the best lobbying system in the world. Mr. Haig agreed, but said that

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the decision on AWACS for Saudi Arabia had shaken his confidence in this too. The Prime Minister agreed that that had been a most successful operation. She said it was always wise to remember that the characteristics that had enable Israel to survive made adaptation now more difficult. She agreed with Mr. Haig that Begin lived in the past and in that respect was quite different from many Israelis. He was difficult to argue with about anything. Mr. Haig commented that the annexation of Golan had been very controversial in Israel. Shamir had been upset. The Israeli Ambassador in Washington was greatly shaken. Mr. Begin only had a majority of two but the present coalition was nevertheless much more stable than the previous one.

In a brief discussion of the prospects for the autonomy talks, the Prime Minister said that she had always thought the issue of Jerusalem was the most difficult of all. Jerusalem was very important to the Saudis. Mr. Haig agreed. He believed the Americans had made some progress on some of the issues but the question of East Jerusalem remained the most intractable.

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POLAND

The Prime Minister said that she particularly wanted to convey to Mr. Haig her concern about the present state of Western reactions to the Polish situation. So far things had gone fairly well. She, and she thought most others closely concerned, agreed that the single most important aim was to keep the Western Alliance together. The last meeting of the NATO Council had gone well. A substantial measure of agreement had been reached on the steps to be taken towards Poland. But she was now somewhat concerned about the measures proposed with regard to the Soviet Union. We had always regarded these as a political signal. The Russians had not invaded Poland and it was therefore not a question of applying the sanctions which had been previously devised for such a situation. We of course recognised the role that the Russians had played in bringing about the current situation in Poland. We had carefully studied the United States measures in respect of the Soviet Union - the Americans had been kind enough to give us the details a few hours before they were announced. Her concern was about the way in which Western reactions were developing at the moment. We were still discussing the extent to which the American measures should affect existing contracts. In some respects our own position on this matter was more favourable than that of our European partners because we were less dependent on Soviet energy. But the Soviet aim was to disrupt the Western Alliance. The West must not help them in any way. Any measures that the West took must be so designed as to harm the Soviet Union more than ourselves. We had recently heard reports that steps might be taken to bring about a default, not only on Polish debts but on the debts of the whole of the Eastern European Group of countries. This would doubtless bring about difficulties for the countries concerned but it would also create incalculable difficulties for the Western banking system. That system was a feature of the reputation of the Western world in financial matters. If it were harmed, the West would suffer more than the Soviet Union. If the measures were applied to Poland alone, perhaps the Western banking system could absorb the consequences, but if they were extended to Eastern Europe more generally the effects could be extremely harmful. German banks were the most vulnerable, but she understood that some American banks were involved too. She urged most strongly that no-one should proceed along this route.

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/ The consequences

The consequences were unpredictable.

The second major point she wished to raise concerned the Siberian gas pipeline. We might not like the fact that the French and the Germans were so heavily involved. We understood the American view that no-one should be fundamentally dependent on a potential aggressor for an important source of supply. Our own position with regard to oil and gas supplies differed greatly from that of France and Germany who were largely dependent on external sources. They had suffered badly twice from disruption of their oil supplies from the Middle East. Fear of further disruption doubtless motivated, at least in part, their wish to benefit from the Siberian pipeline. We had to face the fact that the French and the Germans were never going to abandon the relevant contracts. If the measures proposed in reaction to the Polish situation created difficulties for them over the pipeline, deep resentment and hostility would be aroused. The net effect would be to undermine the Western Alliance rather than harm the Russians. We should not do the Russians' job for them, especially when it was they who were in trouble over Poland. The Americans had not included a grain embargo in their first round of measures since, clearly, this would have grave implications for them. Indeed, few of the measures adopted by the United States would have a serious economic effect within America. But some of them would hurt Europe. America's annual exports of manufactured industrial goods to the Soviet Union amounted only to some \$300 million. But their measures threatened \$4 billion worth of European contracts related to the Siberian gas pipeline. There was, to say the least, a certain lack of symmetry.

Continuing, the Prime Minister said that we wished to follow the American lead in devising measures which (a) harmed the Soviet Union more than ourselves and (b) whose burden on Europe was comparable to the burden of United States measures on the United States. It was important that the countries concerned should get together and devise such measures. We knew what Britain could contribute. As regards the pipeline, existing contracts would have to be exempted. While this was very important for Germany and France, we also had an interest. British contracts amounted to a value of some \$400 million, which could be compared with the figure of \$300 million she had quoted for annual United States exports of industrial manufactured goods to the Soviet Union.

The main firm involved, John Brown, was in the heart of an area of unemployment.

She hoped there would be no disarray at the NATO meeting on 3 February. We needed before then a confidential meeting between ourselves, the United States, France, Germany and Italy, at the level of senior officials, to devise a range of measures which involved equal burden sharing. We might need another meeting after 3 February. It would be important to bring the Japanese in at the right stage (the Prime Minister showed Mr. Haig a recent British press article entitled "Japan picks up orders blocked by Reagan"). A further point was that industrial co-operation between Europe and the United States had developed significantly in recent decades. If Europe came to believe that it could no longer depend on United States technology, because this was dependent on sudden political decisions, an extra barrier would be created between Europe and America and firms would look elsewhere for technology.

The Lord Privy Seal said that during Mr. Haig's absence in the Middle East we had heard a number of rumours about a possible new range of measures which were being discussed in Washington. This was what alarmed us. We should consult to ensure that anything we did damaged the Soviet Union more than the Alliance. Mr. Haig said that it was true that a number of people in Washington were advocating that Poland should be put in a position where it had to default on its debts. The State Department had analysed the possible consequences. He was not sure that they saw things quite as grimly as we did. He thought that the West could withstand the shock but the West would be damaged more than the Poles or the Russians. The Prime Minister said that the possible chain reaction should not be underestimated. Mr. Haig said he was not sure that the outcome of debate in Washington would be a decision to promote default on Polish debts and he was inclined to believe that it would not be. But there was tremendous frustration in America about not only the European reaction to the Polish situation but also what was seen as President Reagan's failure to react. This was particularly serious because some of the President's best supporters shared this frustration. The Prime Minister suggested that this group did not include American farmers, for they would certainly react

adversely if a grain embargo was applied. The Prime Minister reiterated that in her judgement it was right to send political signals to the Soviet Union rather than apply sanctions.

Mr. Haig said that he agreed with this view but many in Washington did not. The President had taken the view earlier that the Americans ought to get out ahead of Europe. That view had been shown to be right. The Prime Minister commented that the Americans had not got out ahead. We had carefully studied the measures they had taken and they did not have that effect. Mr. Haig said that, nevertheless, the perception in the United States was that the Americans had done more than the Europeans. There had been great controversy in Cabinet discussion but his view had prevailed when he had argued that the United States should attempt to proceed in tandem with Europe. A review of the situation was now in progress and it was quite true that President Reagan was thinking of adopting further measures. If he decided to do more, he might move towards total sanctions, including on the export of grain. The Prime Minister said that in that case there would be nothing left. What would the Americans do if the Russians invaded Poland? The Russians might conclude that they had nothing further to lose by invading. Mr. Haig said that he understood that argument but total sanctions would deprive the Europeans of the complaint that the Americans were doing less than they were. There was also the point that if the Russians did invade, sanctions could not reverse the situation. The time to exert leverage was now. He had had the clear impression from his recent meeting with Gromyko that the Russians were uncertain as to how to handle the Polish situation. He had told them that the operation in Poland was failing and that resistance would grow. Gromyko had said unconvincingly that he did not share that view. He had given a distinct impression of unsureness. It was important to reverse the situation in Poland if this was humanely possible. A failure to do so would be very serious, following the failure to reverse the situation in Afghanistan. While there were some arguments for total sanctions, he was personally most concerned that there was no likelihood of the Europeans joining the Americans on such a course. Agreeing with this, the Prime Minister pointed out that American farmers would be bound to circumvent the grain embargo. Mr. Haig agreed. Total sanctions were only worthwhile if all the countries and interested groups concerned supported them. The Prime Minister pointed out that they would not.

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Reverting to the Siberian pipeline project, Mr. Haig said that he was well aware that the Europeans disliked retroactive action in respect of existing contracts. But he must bring home to us that the President was in a very difficult position. The pressure was building up for more action. If the President decided merely to send further political signals, he would be charged with "tokenism". The Prime Minister said that it was not realistic to think that action taken by the West would cause the Russians to reverse the situation in Poland. The net result would be to damage the West and please the Soviet Union. Mr. Haig said that he believed the Americans could only take a step backwards if Europe were to take a step forward. He too had felt that the NATO Foreign Ministers meeting had been successful. But the general reaction in the United States was that it had been barely adequate. The Prime Minister commented that since then the Europeans had taken various decisions. Subsidised food would not be sold to Poland but the funds would instead be diverted to help the Polish people. Tougher conditions for credit to the Soviet Union were also being actively considered. Mr. Haig said that he agreed that the countries concerned should meet to decide what action they could take conjointly. The Lord Privy Seal said that our particular worry was that the Americans might proceed rapidly to a second batch of measures. We should try to agree some package before the NATO meeting on 3 February, otherwise that meeting could well be disastrous. The Prime Minister said she thought it essential that any further measures should be most carefully studied. She had noted Mr. Haig's remarks about the pressure on the President but she was well used to demands from people that something should be done which did not affect them. Once action was taken, voices of another group were heard - those who were affected by the measures. She regarded the new freedom in Poland as a gangrene in the Soviet system. She wanted it to spread. Mr. Haig said that he was sure that the Americans should take up our suggestion of a meeting. He was personally close to our thinking but there were real difficulties within the United States Cabinet. He would be seeing President Reagan tomorrow. The President might be influenced by his view that what had really disturbed and confused Gromyko was the fact that the West had so far maintained its unity on Poland. However, if our present problems were to be solved, Europe must do more. The Prime Minister said that that was not in dispute. Mr. Haig said that there was no need for the West to

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but
worry about Danish or Greek reservations, / he was concerned about
the French attitude. He had written a letter to the French Foreign
Minister about the recent French/Soviet energy bill which would
"blister his ears".

The Prime Minister explained that she was considering whether
to send a message to President Reagan on these matters. Mr. Haig
advised her to do so. The President had great respect for her.
The Prime Minister said that she reciprocated that respect. She
also regarded Helmut Schmidt as a great friend. He was a most
loyal member of the Western Alliance, despite his difficulties
with his Party.

A.J.C.

29 January 1982

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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

Poland

The Prime Minister saw your minute of 29 January before her meeting on that day with Mr. Haig.

As you know, the Prime Minister subsequently approved a slightly revised version of the draft message to President Reagan attached to your minute, which has now been despatched. Mrs Thatcher decided that, as she had the opportunity to go over the ground thoroughly with Mr. Haig, she would not telephone President Reagan.

I am sending copies of this minute to John Kerr (HM Treasury), David Omand (Ministry of Defence), Stephen Gomersall (Lord Privy Seal's Office) and John Rhodes (Department of Trade).

A. S. W.

29 January 1982

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PRIME MINISTER'S MESSAGE

h-a.
M 29.
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Poland has a special place in British history and in British hearts. My generation will never forget that Poland was Britain's ally from first to last in the Second World War:

- Polish squadrons flew with ours in the Battle of Britain
- Polish soldiers fought with ours at Monte Cassino in Italy
- Polish sailors died with ours to keep open the Atlantic lifeline from America

Now, again, we are inspired by the people of Poland. Their longing and their struggle for freedom have kindled new hope in their country and all over Eastern Europe. More than that, They have reminded us in the West of the precious quality of our own freedom. They who know what it is like to live without it.

Their brave struggle warms our hearts. But it has sent a chill of fear through those who seek to hold men in tyranny. The age-old lesson of history is that the human spirit will not live in chains.

In Poland today the flame of freedom may seem to burn less brightly. But it has not been extinguished. Nor can it be. Sooner or later the oppressors will understand that they cannot impose their will upon men and women who ask only that Poland may truly represent the indomitable spirit of the Polish people.

Menu for Lunch on Friday, 29 January

Avocado with Prawns

or Ogen Melon

Roast Fillet of Scotch Beef
Selection of Vegetables

or Mixed Salad

Fresh Pineapple and Strawberries

Wines

Macon Ligny 1978

Chateau Cos Labory 1973

Foreign and Commonwealth Office document

Reference Diplomatic Report No. 95/82

Description MARTIAL LAW IN POLAND II:

THE RISE AND FALL OF SOLIDARITY

Date 29 January 1982

The above FCO document, which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed A Wayland

Date 25 October 2012

PREM Records Team

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Foreign and Commonwealth Office

London SW1A 2AH

29 January 1982

Dear John.

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F-a*

Prime Minister's Meeting with Mr Haig:
29 January

I enclose briefing on Poland on the lines requested for the Prime Minister's meeting with Mr Haig today.

// I also enclose briefs on Central America and the Caribbean, and on the Middle East.

I am sending copies of this to the participants at the lunch.

Yours over.

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street

cc: PS (2)
PS/PUS
Mr Bullard
The Lord Bridges

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PRIME MINISTER'S LUNCHEON FOR THE US SECRETARY OF STATE
29 JANUARY

CUBA AND CENTRAL AMERICA

POINTS TO MAKE

GENERAL (for use as necessary)

1. WE SHARE AMERICAN CONCERN AT TREND OF EVENTS.

We are prepared to support the US within the limits of what is politically and financially possible.

2. CENTRAL AMERICA IS IN THE PUBLIC EYE. There is growing international (as well as domestic) concern about human rights in El Salvador and Guatemala. We cannot ignore this. Where possible, we try to argue for a balanced view. But this is not easy. The Governments of El Salvador and Guatemala are often their own worst enemies.

CUBA

3. CONCERN OVER REPORTED DELIVERY OF RUSSIAN MIG 23 FIGHTER BOMBERS TO CUBA. Grateful US assessment. Does this breach US/USSR understandings reached following Cuban missile crisis? Will new MIGs enable Cubans to release present stocks to Nicaragua?

4. THE US EMBASSY HAS RECENTLY GIVEN US INFORMATION ON LIBYAN ACTIVITIES IN THE AREA. How seriously do the Americans assess this threat?

/EL SALVADOR

EL SALVADOR

Elections

5. STILL CONSIDERING SALVADOREAN GOVERNMENT'S INVITATION TO SEND OBSERVERS. Well aware US is keen that we should accept.
6. In principle WE WELCOME SALVADOREAN INTENTION TO HOLD ELECTIONS. Consistent with our hope for political solution to El Salvador's problems.
7. We also recognise that SENDING OBSERVERS DOES NOT NECESSARILY IMPLY APPROVAL OF THE WAY ELECTIONS WILL BE RUN.
8. Nevertheless, CANNOT IGNORE FACT THAT MANY GOVERNMENTS TENDING TO VIEW IT THAT WAY. Similar public feeling here too.
9. DOUBTFUL THAT PROPER CONDIITIONS WILL PREVAIL IN MARCH.
10. BRITISH OBSERVERS (AND OTHERS) MIGHT CONCLUDE THAT ELECTIONS NOT TRULY REPRESENTATIVE. HAS US GOVERNMENT CONSIDERED CONSEQUENCES OF UNFAVOURABLE OBSERVERS' REPORTS?
11. WOULD IT NOT BE BETTER TO CONFINE OBSERVERS TO THE OAS AND REGIONAL COUNTRIES?

Guerrilla Arms Sources

12. NEED FOR GREATER INTELLIGENCE ON GUERRILLA ARMS SUPPLIES. No concrete evidence that arms captured come from Cuban or Soviet sources: most are US or West European made, probably supplied through the international arms market in the West.

NICARAGUA

13. CONCERNED AT LEFTWARD TREND AND MILITARY BUILD-UP. Propose to keep relations low-key until some convincing prospect or return to political pluralism. US view?

14. Nicaraguans have also expressed concern about ex-Somocistas training in USA to overthrow Nicaraguan Government. US position?

Arms Sales (if asked)

15. We do not intend to sell arms to Nicaragua and are apprehensive about French view that by doing so they are helping to keep Nicaragua out of the Soviet camp.

BELIZE (see SECRET Annex)

16. OFF TO A GOOD START.

17. EARLY SETTLEMENT WITH GUATEMALA BEST OPTION. Grateful for US help.

18. WELCOME US INTEREST IN ASSISTING DEVELOPMENT OF BELIZE DEFENCE FORCE (BDF). Glad to know what plans they have. There may be scope for collaboration.

PRIME MINISTER'S LUNCHEON FOR THE US SECRETARY OF STATE

CUBA AND CENTRAL AMERICA

ESSENTIAL FACTS

GENERAL AND TRANSATLANTIC RELATIONS

1. Central America has become a major preoccupation of the United States. The Americans have shared with us some of their evidence of Cuban intervention in Central America. We agree with their general assessment that the Cubans are actively exploiting local discontent in the areas and building up their links with Nicaragua. But we have reservations about the way some senior members of the US Administration tend to regard these developments (particularly in Nicaragua) as part of a deliberate Soviet initiative to test US resolve in the area. We accept that Cuban policy derives from a broad general strategy. But we see it as essentially opportunist: taking advantage of local turmoil and prevalent anti-US feeling to export revolution to other Latin American countries whenever the chance presents itself. There is a risk of the US exaggerating the East/West aspect. The Russians may well allow Castro a relatively free hand in Central America. It serves their interests well. Since Soviet money keeps Cuba afloat, they can, if necessary, exercise a veto.

2. The Administration's determination to 'draw the line' against Cuban subversion in the area has attracted wide publicity and aroused fears that the Americans may be contemplating military action. President Reagan is likely shortly to decide among the options for action being submitted to him. We doubt whether the US would embark on direct military intervention in Cuba or Central America. But some step short of that, such as a blockade of Nicaragua, cannot be ruled out.

3. We share the US objective of countering Cuban influence in Central America. We also recognise that the importance of the area to the US is great, whereas to us and other Europeans it is minimal. Where there are differences of approach we

we therefore try to surface them and discuss them in private rather than in public.

CUBA

4. The Reagan Administration's determination to counter Cuban influence has certainly given Castro some pause. Towards the end of 1981 the Cubans set their country on a war footing, allegedly because of US preparation for military action against Cuba. To some extent this appears to have been prompted by genuine Cuban fears. But their desire to distract attention from internal problems, and perhaps also to put other countries (notably the Soviet Union) on notice of the dangers Cuba may face, were other possible grounds. While tension between Cuba and the US has since reduced, the Cubans remain apprehensive about US intentions. We prefer to maintain correct relations with Cuba: not impeding normal trade and allowing the economic and political weaknesses of the Cuban system to emerge on their own.

5. A large consignment of new MIG 23 fighter bombers and spares have arrived in Cuba. These may bring Cuban forces to a level which breaches the understanding reached between the US and the Soviet Union after the Cuban missile crisis. Some reports claim that the aircraft will be equipped to carry nuclear devices (though the Embassy in Washington tend to discount this.) The shipments may release older Cuban MIGs for Nicaragua's growing armed forces.

LIBYAN ACTIVITIES IN CENTRAL AMERICA

6. The American Embassy recently called on NENAD to draw our attention to US claims of Libyan involvement in Nicaragua (promises of soft loans of US\$250-450 million in addition to US\$100 million already given), El Salvador (suspected financing
/of

of guerrilla arms) and Panama (alleged involvement in air cargo operations which could assist arms trafficking). We have no collateral for these reports.

EL SALVADOR

7. The Government of President Duarte remains under attack from left wing guerrillas (FMLN). Neither side seems likely to gain a clear military advantage in the short term.

Elections

8. All opposition parties, including the political wing of the armed opposition (the Democratic Revolutionary Front, FDR) have been invited to participate in elections in March 1982. Although President Duarte has publicly guaranteed their safety during the electoral campaign, his ability to substantiate that guarantee in practice must be doubted. Parties to the left of the Christian Democrats have refused to take part in the elections. They say, with some justification, that the Salvadorean Government has consistently failed to curb the right wing death squads and certain sections of the armed forces who are responsible for many of the atrocities in El Salvador.

9. The possibility of elections being held under stable conditions is remote. There is little likelihood that either the extreme left or extreme right will allow a peaceful campaign.

10. The Salvadorean Government is currently appealing to the international community to send observers. The UK has received a formal invitation. The US are strongly in favour of the participation of observers and have urged EC countries to respond favourably. The US Ambassador has raised this both with Lord Trefgarne and the Secretary of State. Discussions with our EC partners indicate that of those invited (France has not been) most will decline. But we are consulting further with the Germans, Italians and Belgians and considering the reactions of other countries, especially those in the region.

/Arms

Arms Supplies

11. US documents citing Soviet involvement in the supply of weapons to Salvadorean guerrillas through Nicaragua were published in January 1981. We have seen no further evidence that this traffic is continuing. All arms captured have been of US or West European origin and obtainable on international arms markets. It is difficult to sustain US allegations that the Soviet bloc is still supplying arms. More probably they are providing funds to enable purchase from international arms dealers in the West.

NICARAGUA

12. Power in Nicaragua is concentrated in the hands of the Sandinista Directorate. The leftward drift towards a fully Marxist-Leninist state appears to continue. Opposition is barely tolerated: the independent newspaper, 'La Prensa' is regularly banned for days at a time. Leaders of the private sector critical of the Government's handling of the economy, and senior figures of the Communist Party have recently been arrested. Government leaders have openly espoused the Marxist-Leninist cause. Some have visited the USSR.

13. These moves have been accompanied by a military build-up. The armed forces are to be increased to a strength of 50,000 regulars with an integrated militia of 200,000. This would make them by far the largest military force in Central America. Soviet-made T54 and T55 tanks have been delivered through a third country. Nicaraguan pilots are training in Eastern Europe on MIG fighter aircraft. According to the US the Russians have supplied MIG fighters to Cuba for onward delivery to Nicaragua (although this has been denied by both the Cubans and the Nicaraguans). We have seen nothing to confirm US claims that the Russians were now replacing the Cubans as advisers in Nicaragua.

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14. The Nicaraguans continue to claim that ex-Somoza guards training in Honduras and the United States are responsible for raising tension. These claims, though doubtless exaggerated, have led to awkward questions from critics of President Reagan's Administration about the interpretation of US Neutrality Laws.

15. The US are evidently enraged by the French decision to supply \$11 million worth of helicopters, patrol boats and trucks to Nicaragua. The French reason that by supplying military aid they are encouraging Nicaragua to improve their relations with the West. They believe refusal to do so will only drive the Nicaraguans further towards the Soviet bloc. We have not licenced arms sales for Nicaragua. Ministers recently agreed to the sale of an HS 125 executive jet which had no military capability.

BELIZE

16. Following independence on 21 September 1981 Belize has got off to a reasonable start. Mr Price is keeping his distance from the Cubans and Russians, avoiding provocation to the Guatemalans and attempting to make his name in international institutions which can help with Belizean development. A main priority now is to attempt to resolve the dispute with Guatemala. Mr Price has shown himself very willing to co-operate with us and the Americans in an attempt to reach a negotiated solution.

17. Britain is committed to providing the Belize Defence Force (BDF) with training and equipment but the assistance of other friendly nations would be welcome. A US mission visited Belize recently to discuss US assistance for the BDF.

ANNEX

[NOT FOR USE]

BELIZE

The US Government have been keeping in the strictest confidence, knowledge of the secret agreement between Britain and Belize under which British troops will be withdrawn on 21 June 1982, and of the US initiative for a resumption of negotiations. Officials accompanying Secretary Haig may not be aware of the position and we should not enlighten them.

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PRIME MINISTER'S LUNCHEON FOR THE US SECRETARY OF STATE ON 29 JANUARY
CARIBBEAN BASIN INITIATIVE (CEI)

POINTS TO MAKE

1. We continue to WELCOME CBI. HOPE IT WILL ENCOURAGE NEW DONORS AND INVESTORS. But NO SCOPE FOR INCREASING THE ALREADY SUBSTANTIAL UK AID CONTRIBUTION TO THE COMMONWEALTH CARIBBEAN.
2. UNDERSTAND ANNOUNCEMENT OF US MEASURES UNDER THE CBI WILL BE MADE SOON. We are grateful for the details given to us in advance.

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PRIME MINISTER'S LUNCHEON FOR THE US SECRETARY OF STATE

CARIBBEAN BASIN INITIATIVE (CBI)

ESSENTIAL FACTS

1. Ambassador Ryan the Head of the State Department team responsible for the initiative visited London earlier this week to explain the initiative. He had meetings with Mr Luce and with Whitehall officials.
2. When news of the initiative broke Mr Ridley welcomed the US aim of encouraging faster economic and social development in the Caribbean Basin (ie, including Central America) while drawing attention to the already substantial British contribution in the Commonwealth Caribbean. Our line since has been to be forthcoming in tone about the initiative while avoiding commitment to new money or measures by the United Kingdom.
3. The initiative was formally launched at a meeting of the Foreign Ministers of the US, Mexico, Venezuela and Canada at Nassau in July 1981. Since then there have been regional meetings of Central American and Caribbean States (in Jamaica) respectively. At the latter guidelines for an action plan were adopted. There was recognition of the need for expansion of trade and investment and the role of a growing private sector, in addition to the need for increased assistance.
4. The US seem to be placing increasing emphasis on private investment rather than extra development aid. On Tuesday, Ambassador Ryan revealed the main facets of US programme. The Centrepiece will be a one way free-trade arrangement. The programme would move emphasis from the application of the GSP (not wholly understood by the Caribbean countries), which had not provided enough stimulus. There would be no duties on products from Caribbean countries, except on textiles. A bill relaxing duties on textiles would not get through Congress. There would also be safeguards to protect US industry.
5. Other aspects of the programme were a 10 per cent investment /tax

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tax credit extended to the Caribbean Basin for the next five years; moves to encourage the overseas Private Investment Corporation to give more support to business ventures in the Caribbean Basin; and an increase in aid. (There would be an increase in direct US findings to the Caribbean Basin from \$419 million this Financial year to \$455 million next year at a time when US overall aid was not increasing).

6. The programme outlined includes Central American countries but excludes Cuba. Grenada and Nicaragua may be included, though this will depend on political developments.

Attitudes in the Caribbean

7. Attitudes in the Caribbean vary. Caution is the main note in the absence of firm definition of the CBI. Jamaica, which has forged close links with the USA, is the most enthusiastic. Trinidad is lukewarm and the Americans do not expect very much co-operation from them. Barbados and the East Caribbean countries show cautious scepticism plus some optimism. All the islands, except Barbados, look for more aid and have been disappointed about the evident absence of new proposals. Antigua seems particularly critical on this score. St Lucia wants more aid for infrastructure improvements which it claims are necessary before private investment can be realistically expected. Grenada is more enthusiastic than the other small islands and stress that any scheme must be non-discriminatory. There has not been much interest in Guyana but the government are suspicious about US aid policy and wary about its political motivation.

Next Steps

8. Ambassador Ryan told us that the US hoped to arrange a meeting in Paris, perhaps in March, which would include discussions between the IDB donors, and a meeting of the Caribbean Consultative Group.

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PRIME MINISTER'S MEETING WITH MR HAIG: 29 JANUARY

POINTS TO MAKE

1. Pleased you could come. Time short. Concentrate on a question which could be crucial to Alliance solidarity - how in practical terms to react to events in Poland?
 2. Complex situation involving fundamental questions about future handling of East/West relations. Discuss these in NATO and if possible chart course at NATO Summit in June.
 3. Meanwhile Alliance is united on its immediate aims - lifting of martial law, release of detainees, resumption of genuine dialogue with Church and Solidarity. Must maintain pressure on Jaruzelski to live up to his promises. Must also send clear signal to Russians that we condemn their complicity and will move to further measures if they intervene further.
 4. Situation in Poland gives no cause for optimism. No likelihood of early relaxation. All the more reason to keep up pressure, and not appear to acquiesce.
 5. As always problems arise when people are required to move from saying to doing. On Poland this causes no problems. All have agreed to suspend credit, postpone debt rescheduling, restrict high technology sales and to take some lesser measures.
 6. Soviet Union more difficult. Measures identified by NATO last year were intended to fit 'worst case' of a Soviet invasion. This has not happened - yet. But all (except the Greeks) are agreed that some action should be taken to show the Russians that Alliance members are united in condemning them.
 7. US measures announced on 29 December against Soviet Union in some respects go farther than contingency measures drawn up in NATO for a full scale Soviet invasion. They will prevent existing European contracts from being fulfilled where they are dependent on embargoed US goods.
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8. Main (but not sole) impact falls on Siberian pipeline project. Germans and French determined to proceed with the pipeline. Arguments put forward by the US before 13 December did not shake them. If existing contracts are frustrated by American measures a major row will be inevitable. US measures hit Europe harder than US: about \$4 billion versus \$300 million, this affects attitudes to burden-sharing, and would present real problems with public opinion.

9. Italy and Britain also involved through contracts already signed for equipment. We are the least affected but cost to the UK alone could be £200 million. Four hundred jobs with John Brown on Clydeside at risk. Inevitable public and parliamentary reaction. You know current unemployment figures.

10. Recognise need to act against Soviet Union but to force the pace would seriously divide the Alliance and do the Russians work for them.

11. Need time to resolve complex difficulties. Suggest we seek a solution whereby US exempts existing contracts and other Western countries take measures to ensure that they do not undermine US measures of 29 December.

12. Further round of unilateral US measures would make a very difficult situation almost impossible; need anyway to keep something back as future deterrent. Must resolve present problems before moving on to further action.. Immediate meeting of experts from US, FRG, France, Italy and UK would be best way forward. We are prepared to meet at any time, anywhere. Must be before 3 February.

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PRIME MINISTER'S LUNCH FOR MR HAIG, 29 JANUARY 1982

MIDDLE EAST

Points to Make

1. Immediate priority must be safe return of rest of Sinai to Egypt. Understand US desire to give new life to autonomy talks, but after April a new look may be needed. Europe not going to rock the boat before then; but still believe that Venice approach has something to offer.

2. Continue to hope that anti-Camp David Arabs will agree on a new positive approach to enable fresh momentum in peace efforts. Palestinians must be involved in a process soon. But Golan has been a severe shock to the moderates and to rule of international law in the area. Disillusionment with US/Israel relationship throughout Arab world. Clear to them that Israel can do what she likes.

MFO

3. Hope you are right that Israel now ready to accept European offer. Four have done everything possible to help Israelis. Urgent need to get on with practical arrangements.



ESSENTIAL FACTS

Autonomy Talks

1. Mr Haig is on his way back from his second visit to Egypt and Israel in two weeks in an effort to breathe new life into the autonomy talks. His first visit was, so he said, to listen and to educate himself. It is not clear why he chose to go back so soon. He apparently took with him some (limited) proposals and ideas. We have no authoritative report on his latest visit, but despite US attempts to appear optimistic, the gulf between the two sides is clearer than ever on the important issues. The Egyptians are determined to make no concessions on matters which they regard as properly for the Palestinians themselves to decide. They will not jeopardize their hopes of reconciliation with the other Arabs. The Israelis believe that withdrawing from Sinai, with all the domestic trauma of the evacuation of the settlers, is concession enough, particularly when there must be some doubt over the future of Egyptian policy.

2. Nevertheless the Americans are likely to press on. Mr Haig is said to be on the point of appointing a new special negotiator. A Mr Richard Fairbanks (about whom we know little - he appears to have no form in Middle East affairs) is the favoured candidate. None of the three parties regards 26 April as a deadline for the autonomy talks, and they are likely to continue afterwards but the chances of any success, even on a declaration of principles, are very poor.

GOLAN

3. The Golan issue will now go to a Special Session of the General Assembly, starting today. Extreme resolutions will doubtless be the order of the day. The Arabs feel strongly about Israel's action and the chances for Saudi and Jordanian attempts to press the Fahd principles have been reduced. Momentary US displeasure with Israel was rapidly said to have evaporated. We 'abstained' with the US on the otherwise unanimous vote in the Security Council to convene a Special Session. Should Mr Haig

/thank



thank us there would be an opening to say that the impression given is that Israel can count on American support whatever she does.

MFO

4. Mr Haig took with him to Israel further reassurances from the European Four about our good faith; he has told us that he thinks the Israelis will finally accept us (at their Cabinet meeting on Sunday). But Mr Begin remains unpredictable. He will want the last word.

Near East and North Africa Department
January, 1982

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Foreign and Commonwealth
London SW1

29 January 1982

Seas Wille.

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Thank you for your letter of 20 January to Peter Carrington about how to respond to Chancellor Kreisky's appeal for assistance in resettling the large number of Poles now in his country.

I was glad to note your wish to respond as generously as possible to the problems of Polish nationals in difficulties outside Poland at the present, including those in Austria. I agree that it will be important to ensure that any response we make to the Austrian appeal is consistent with our policy towards those Poles temporarily in Britain and is also in line with that of our EC partners.

I have accordingly instructed officials to discuss this urgently in the Ten and to establish what response our partners are likely to make. Once we have a clearer picture on this I shall let you have a more substantive reply.

See me

Thompson

The Rt Hon William Whitelaw CH MC MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1

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Ref. A07280

PRIME MINISTER

Poland

I attach a draft message from yourself to President Reagan which in the light of your instructions yesterday evening has been prepared in consultation between the FCO and Cabinet Office and approved by the Ministers directly concerned, i. e. by the Lord Privy Seal, the Secretary of State for Trade and the Chancellor of the Exchequer, and by the Foreign and Commonwealth Secretary in Djakarta (there was no time for the Secretary of State for Defence to see it before his departure for Italy).

2. The original plan was that this message should be despatched over the hot line not later than 2.00 pm (9.00 am Washington time). But now that Mr. Haig has altered his travel plans at such short notice to come to see you, we should hold the message up until after he has left you, and give ourselves a chance to look at it again in the light of your talk. We can then get it off at about 4.00 pm. I have added, in square brackets, an opening paragraph to the draft message, for use if you follow this new timetable.

3. Once the message has gone, your office could warn the White House that you wish to speak to the President on the telephone at 11.00 pm our time tonight or as soon thereafter as he can manage. He will by then of course also have had a report from Mr. Haig.

4. The Secretary of State for Defence spoke to Mr. Weinberger by telephone last night and made the points agreed at OD. Mr. Weinberger confirmed that the Americans were indeed urgently considering a further round of measures against the Soviet Union. The President was actively involved in this process, and Mr. Weinberger implied that the ideas came mainly from the President's more extremist advisers in the White House. Mr. Weinberger himself seemed particularly preoccupied by the importance, as he saw it, of stopping the gas pipeline project by one means or another. He recognised that we regarded this as impossible, and we might be right. But he clearly felt that the Americans

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could not forgo such anti-pipeline leverage as might be available to them. As regards a forced Polish default, Mr. Weinberger emphasised that this could be precipitated at any stage by one or two banks acting on their own. On grain, he acknowledged that the Americans' position with their allies was weak so long as they refused to contemplate an embargo. He himself had therefore been arguing internally that some action on grain was necessary. In his view such action should be "general rather than selective". He presumably meant an export embargo going considerably wider than grain; if manufactures were included, European trade could (because of no undermining) be badly hit.

5. The Chancellor of the Exchequer has taken steps to ensure that his views on the dangers of a forced Polish default are conveyed to Mr. Reagan and others in Washington via the American Embassy here.

5. I am sending copies of this minute and attachment to the Chancellor of the Exchequer, the Secretary of State for Defence, the Lord Privy Seal and the Secretary of State for Trade.

RIA

ROBERT ARMSTRONG

29th January, 1982

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GRS 210

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FM PARIS 281622Z JAN 82

TO PRIORITY FCO

TELEGRAM NUMBER 114 OF 28 JANUARY 1982

INFO PRIORITY WASHINGTON, ROUTINE BONN, ROME AND UKDEL NATO

MY TELNO 49: DAY OF SOLIDARITY WITH THE POLISH PEOPLE

1. TODAY'S FRENCH PRESS CARRIES REPORTS THAT PRESIDENT MITTERRAND WILL AFTER ALL ASSOCIATE HIMSELF, IF WITHOUT ENTHUSIASM, WITH THE DAY OF SOLIDARITY WITH THE POLISH PEOPLE. IT IS PLANNED THAT THE PRESIDENT WILL RECORD A BRIEF MESSAGE FOR SCREENING IN THE TELEVISED "SHOW FOR POLAND" ON 31 JANUARY.
2. THE AMERICAN EMBASSY HAD EARLIER TOLD US THAT THE QUAI D'ORSAY WAS DISTINCTLY UNENTHUSIASTIC ABOUT THE IDEA OF FRENCH PARTICIPATION. (WE UNDERSTAND THAT THIS HAD BEEN CLEARLY EXPRESSED IN TWO FRENCH COREUS.) THE AMERICANS SUBSEQUENTLY RENEWED THEIR REPRESENTATIONS AT THE ELYSEE.
3. THE ASSISTANT DIPLOMATIC ADVISER AT THE ELYSEE HAS NOW CONFIRMED TO US THAT THE PRESIDENT WILL TAKE PART. HE SAID THAT THE DECISION WAS TAKEN RELUCTANTLY AND AFTER MUCH DEBATE WITHIN THE ELYSEE. THERE WAS CONSIDERABLE DISTASTE THERE AT THE IDEA THAT PRESIDENT MITTERRAND SHOULD BE ASSOCIATING HIMSELF WITH AN EVENT SO DIRECTLY ORCHESTRATED BY THE AMERICANS. IT IS PROBABLE THAT THE STRONG AMERICAN REACTION OF DISAPPROVAL TO THE CONCLUSION ON 23 JANUARY OF THE FRANCO/SOVIET GAS CONTRACT, AND IN PARTICULAR TO THE TIMING OF THE SIGNATURE JUST BEFORE THE HAI G/GROMYKO ENCOUNTER OF 26 JANUARY WAS THE FACTOR WHICH TIPPED THE BALANCE IN FAVOUR OF FRENCH PARTICIPATION.

HIBBERT

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Foreign and Commonwealth Office

London SW1A 2AH

28 January 1982

Dear John,

A.J.C. $\frac{29}{1}$

pa.

POLAND

I enclose a new draft of the proposed message, on the lines discussed in OD this evening.

The Lord Privy Seal would be grateful to have the comments of the Chancellor and the Trade Secretary by 10 am. tomorrow, so that an agreed draft can reach the Prime Minister at 11 am.

I am sending copies of this letter to John Kerr in the Treasury, Jonathan Rees in the Department of Trade, Brian Norbury in the MOD and David Wright in the Cabinet Office.

Yours ever

M A Arthur
PS/Lord Privy Seal

A J Coles Esq
10 Downing Street
London SW1

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DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

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TO:

Your Reference

- Top Secret
- Secret
- Confidential
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SUBJECT: DRAFT MESSAGE TO PRESIDENT REAGAN

.....In Confidence

CAVEAT.....

I am sending you this personal message because I know that you care as much as I do about the unity of the Western Alliance, which I believe to be endangered by the current differences over how to react to the repression in Poland. I believe that a major effort to achieve unity is required, even if it takes a few more days than we would like.

I have taken a close interest in the preparation of a package of British measures both towards Poland and towards the Soviet Union. We have already said in NATO that we would be willing to take a number of measures as part of an Allied reaction to complement your resolute stand and given agreement about the non-undermining of each other's measures.

The measures which the United Kingdom has taken, or would in principle be willing to take, include:

Enclosures—flag(s).....

Towards Poland: restrictions on Polish diplomatic missions; increased broadcasts, already begun, to Poland; suspension of commercial credit except for contracts already concluded; the placing in suspense of negotiations about debt rescheduling for 1982;

/the

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the suspension within the EC of food exports at specially subsidised prices; and increased humanitarian aid to the Polish people.

Towards the Soviet Union: significant new restrictions on Soviet diplomats; reduced activity under technical cooperation agreements; clear exposure in the Madrid Review Conference of Soviet complicity in the repression in Poland; readiness to move with ^{our} the European Community ^(partners) to increase the interest rates on export credit and to restrict certain imports from the Soviet Union; termination, in concert with others, of our bilateral maritime agreement; and new restrictions on Soviet factory ships.

I am sure that our joint objective now should be a credible and united allied position, to demonstrate our rejection of Soviet behaviour. It is essential that we should foil the Soviet aim of splitting the alliance and thus turning their crisis in Poland into a crisis for the West.

I know you would agree with this aim. The question is how to attain it. I can well understand why some of your people may be thinking of a second set of American measures against the Soviet Union. But I must tell you that I fear that this would provoke considerable public divisions in the Alliance. Our European allies, who at present are considering the measures they might take, would not react well to a further American move at this time.

The resulting divisions in the Alliance could well advance Soviet interests more than your new measures could set them back. I hope therefore that you will feel able to hold back on further measures until we have thoroughly explored the possibility of a united allied position.

I understand that new measures under consideration in Washington may include the denunciation of the 1981 agreement on rescheduling Polish debt. This would of course provoke a Polish default. The effects on the European banking system would be very severe. The damage to the West could be at least as great as the damage to the Soviet Union.

What we now need is a reasonable set of measures. This is the direction in which we should all be working. The great merit of your measures of 29 December was that they sent a clear signal to the Soviet Union without gravely endangering your own interests. We should all be following suit and although the NATO discussions have so far been frustratingly slow, it should surely be possible for the other allies to take measures comparable to yours. The best approach now may be for the US to arrange secret consultations in the very near future between senior officials from the allied countries most closely concerned.

/My

My own view is that the most promising basis for agreement would be an arrangement whereby the European allies took measures comparable to yours and provided undertakings about not undermining your measures with respect to future contacts, while existing European contracts would go ahead. I realise that this last consideration is a difficult one for you. But I do not believe that the French, Germans and Italians will give up the gas pipeline project, whatever one may think of its merits. An accommodation on existing contracts is therefore ~~an~~ essential to allied unity over Poland. On this basis we should be able to make progress at the NATO meeting on 3 February. But I think that a further NATO meeting will be needed a few days later. It will also be important to carry the Japanese and others in our plans.

I know you will look at this very urgently. I believe we have an opportunity to show the Soviet Union a firm united front. We have embarked on this course and should make every possible effort to carry it through to a successful conclusion. What we can achieve together in this can give a lasting boost to allied unity and a setback to Soviet ambitions. But we risk losing the prize if we act hastily or out of step.

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DRAFT MESSAGE TO PRESIDENT REAGAN

[I was most grateful to Al Haig for rearranging his plans at short notice to call in here today to discuss the worrying situation concerning Poland. We had a very good talk.]

I am now sending you this personal message because I know that you care as much as I do about the unity of the Western Alliance, which I believe to be seriously endangered by the current differences over how to react to the repression in Poland. I believe that a major effort to achieve unity is required, that this will require patience and that the key lies with the United States.

What I think we must at all costs avoid is a demonstration of disunity in the Alliance which would give Moscow a first class propaganda victory and impair our efforts to check further adventurism on their part in the future. We must also avoid measures which would do more harm to the West than to the Soviet Union.

I have taken a close interest in the preparation of a package of British measures both towards Poland and towards the Soviet Union. We have already said in NATO that we would be willing to take a number of measures as part of an Allied reaction to complement your own resolute stand and given agreement about the non-undermining of each other's measures.

The measures which the United Kingdom has taken, or would in principle be willing to take, include:

Towards Poland: restrictions on Polish diplomatic missions; increased broadcasts, already begun, to Poland; suspension of commercial credit except for

contracts already concluded; the placing in suspense of negotiations about debt rescheduling for 1982; the suspension with the EC of food exports at specially subsidised prices; and increased humanitarian aid to the Polish people.

Towards the Soviet Union: significant new restrictions on Soviet diplomats; reduced activity under technical co-operation agreements; clear exposure in the Madrid Review Conference of Soviet complicity in the repression in Poland; readiness to move with our European Community partners to increase the interest rates on export credit and to restrict certain imports from the Soviet Union; termination, in concert with others, of our bilateral maritime agreement; and new restrictions on Soviet factory ships.

I am sure that our joint objective now should be a credible and united allied position, to demonstrate our rejection of martial law and of the Soviet hand in it. We must ^{not} ~~now~~ allow the Soviet crisis in Poland to bring about a crisis in the Western Alliance which would suit only Soviet purposes.

I know you would agree with this aim. The question is how to attain it. I can well understand why some of your people may be growing impatient and thinking of a second set of American measures against the Soviet Union.

My fear is that further measures taken unilaterally would not carry the Allies with them but would greatly deepen and expose the divisions within the Alliance. That could well advance Soviet interests more than your new measures could set them back. I hope therefore that you will feel able to hold back on further measures until we have thoroughly explored the possibility of a united allied position.

I understand that new measures under consideration in Washington may include steps such as denunciation of the 1981 Agreement on rescheduling Polish debt, which would lead to a Polish default. But the immediate effect of that would be that the Poles would give up their present efforts to make such payments as they can under the rescheduling arrangements, either to Western Governments or to Western banks. That in turn would take pressure off the Soviet Union to help them. On the other side, the effects on the ^{international} banking system ^{very} would be/severe. They would certainly not be confined to Europe, and your own banks would also be affected. /The damage to the West could be at least as great as the damage to the Soviet Union. The health of the international financial system is a Western, not a Soviet interest. They have every reason to rejoice if it is impaired.

What we need now is a reasonable set of measures, jointly agreed. This is the direction in which we should all be working. The great merit of your measures of 29 December was that they sent a clear signal to the Soviet Union without seriously compromising your own interests. We should all be following suit and, although the NATO discussions have so far been frustratingly slow, it should surely be possible for the other allies to reach agreement on measures comparable to yours.

My own view is that the most promising basis for agreement would be an arrangement whereby the European allies took measures comparable to yours, both in their effects on the Soviet Union and in their domestic implications, and took positive action to meet their commitments not to undermine your measures with respect to future contracts, while existing European contracts would go ahead. I realise that this last consideration is a difficult one for you. But the French, Germans and Italians cannot and will not give up the gas pipeline project, whatever one may think of its merits. We too have important contracts at stake, notably one held by John Brown Engineering, the cancellation of which would cause additional unemployment. An accommodation on existing contracts is therefore essential to allied unity over Poland.

What on the
Union

The best approach now may be for the US to arrange secret consultations about this in the very near future between senior officials from the allied countries most closely concerned. This would enable us to make progress at the NATO meeting on 3 February. But I think that a further NATO meeting may well be needed a few days after that. It will also be important to carry the Japanese and others in our plans. It would not be tolerable to ask our own industries to forego opportunities only to see them seized by Japan.

We have the opportunity to show the Soviet Union a firm united front. What we can achieve together in this can give a lasting boost to allied unity and a setback to Soviet ambitions. We have embarked

on this course and should make every possible effort to carry it through to a successful conclusion. The crisis in Poland looks like being a prolonged one. We risk losing the prize if we act hastily or out of step.

JAPAN 'PICKS UP ORDER BLOCKED BY REAGAN'

By DAVID SHEARS in Washington

JAPAN has contracted to sell Russia 900 pipelayers—used for lowering pipeline into the ground—and 600 heavy tractors in a massive deal which undercuts President Reagan's economic sanctions, the Caterpillar Tractor Company said yesterday.

The disclosure came after the American firm had lost an order worth \$90 million (£45 million) to sell 200 pipelayers to Russia. It also followed this week's secret meeting in Paris, in which America

tried to rally the support of Nato allies and Japan for its embargo policy over Poland.

Speaking with bitterness, a Caterpillar spokesman said from his headquarters at Peoria, Illinois, that his firm had written to President Reagan saying in effect that "all the embargo does is to hand the market to the Japanese."

The spokesman said that the company understood the Reagan administration needed to do something to show disapproval of Soviet responsibility for the Polish military crackdown.

"But it is no good if other countries step in and pick up our orders," he complained.

Feelings are running high in Peoria, a midwest city of 350,000 which is practically a company town where Caterpillar employs 33,000.

European consortium

The company spokesman said he did not know whether the American delegates to the closed-door session of COCOM (the co-ordinating committee for multilateral export controls) had tried to persuade Japan to cancel the deal.

Nor did he have any indication that Tokyo's representatives had given any such undertaking. "All we know is what we read in the newspapers," he said.

America has long opposed the gigantic natural gas deal signed last autumn in West Germany, whereby a consortium of West European firms will build a pipeline from Siberia to the West.

In addition to the pipelayers and tractors, Russia needs western technology for the 125 gas turbines to be installed along the 3,500-mile pipeline.

Licence cancelled

The turbines...

Licence cancelled

The turbines reportedly are to be assembled by three European firms, John Brown and Co., of Britain, AEG Telefunken of West Germany and Nuovo Pignone of Italy. The rotors, a key component, are said to depend upon a licence from the American General Electric Company.

The European allies have formally agreed not to undercut the American trade sanctions. But an American official was quoted as saying in Paris that it was not clear whether this promise would stop European firms such as Rolls-Royce from substituting their own rotors for the General Electric type.

While the outlook for the compressor stations remains uncertain, the position so far as the pipelayers are concerned is clearcut.

200 pipelayers

The Caterpillar spokesman said that his firm had been granted an export licence to ship 200 pipelayers to Russia on Dec. 9.

Less than three weeks later, on Dec. 29, Mr Reagan had imposed his sanctions on sales to Russia, effectively cancelling the export licence.

"At the same time we were reliably informed that the Russians had purchased from the Japanese firm of Komatsu 900 pipelayers and 600 crawler tractors," the spokesman said.

The spokesman said he assumed that Moscow had grown wary of placing such orders with American firms whose deliveries had become unreliable.

POLAND : ADVANCE COPIES

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IMMEDIATE

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PS/PUS
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LORD BRIDGES
MR EVANS
MR WRIGHT
MR GILLMORE
MR GOODISON
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HD/UND
HD/EESD(ALLOCATED)
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TO IMMEDIATE FCO

TELEGRAM NUMBER 341 OF 28 JANUARY 1982

INFO PRIORITY PARIS WASHINGTON UKDEL NATO

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INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN

MOSCOW WARSAW

COREPER (AMBASSADORS) 28 JANUARY:

FOLLOW-UP TO FOREIGN AFFAIRS COUNCIL: POLAND

SUMMARY

1. COMMISSION PROPOSAL FOR DETAILED PROGRAMME OF HUMANITARIAN AID TO BE SUBMITTED AS SOON AS POSSIBLE.

2. FRANCE MAINTAINED ITS WAITING RESERVE ON ACTION ON EXPORT CREDITS BUT WILL REPORT VIEW OF OTHER MEMBER STATES THAT A DECISION MUST BE REACHED URGENTLY.

3. WORKING GROUP TO EXAMINE POSSIBLE TRADE MEASURES AGAINST USSR EARLY NEXT WEEK. MEMBER STATES TO PROVIDE DETAILS OF

3. WORKING GROUP TO EXAMINE POSSIBLE TRADE MEASURES AGAINST USSR EARLY NEXT WEEK. MEMBER STATES TO PROVIDE DETAILS OF POSSIBLE CHANGES TO THEIR QRS BY THEN.

DETAIL

HUMANITARIAN AID

4. COMMISSION (JENKINS, KAWAN) CONFIRMED THAT THEY HAD ALREADY BEEN IN CONTACT WITH INTERESTED NGOS, AND ON BASIS OF THESE DISCUSSIONS AND PREVIOUS EXPERIENCE (I.E. IN DISTRIBUTING HUMANITARIAN AID ALREADY VOTED BY COMMUNITY VIA CARITAS) WOULD PUT FORWARD DETAILED PROPOSALS COVERING COMMODITIES AND BUDGETARY MODALITIES.

EXPORT CREDITS FOR USSR

5. VIDAL (FRANCE) SAID THAT HIS GOVERNMENT WAS UNABLE TO WITHDRAW ITS WAITING RESERVE TODAY, BUT GAVE NO REASON FOR THE DELAY. PRESIDENCY PROPOSED REFERRING THE MATTER TO THE WORKING GROUP. I RESISTED THIS STRONGLY. THE ISSUE WAS SIMPLE AND HIGHLY POLITICAL AND SHOULD BE KEPT IN COREPER'S HANDS. IT WAS ALSO EXTREMELY URGENT. THE PRESS HAD BEEN GIVEN THE IMPRESSION THAT THE DECISION HAD ALREADY BEEN TAKEN. UNLESS THIS WAS CONFIRMED, THE COMMUNITY WOULD APPEAR DIVIDED. A SPECIAL COREPER SHOULD BE SUMMONED AS SOON AS FRANCE WAS READY TO STATE ITS POSITION. THIS WAS AGREED.

6. TURNING TO MODALITIES, I SAID THAT A WAY HAD TO BE FOUND OF REACHING A DECISION WHICH WOULD ALLOW THE GREEK DELEGATION TO REGISTER ITS VIEWS. THIS MEANT USING ARTICLE 113. I WENT ON TO MAKE THE FURTHER POINTS IN PARAS 4 - 6 OF YOUR TELNO 84.

7. VIDAL (FRANCE) AGREED THAT COREPER SHOULD TAKE THE MATTER UP AGAIN AS SOON AS THE FRENCH POSITION WAS CLEAR. HE HOPED THAT THERE WOULD BE NO PROBLEM AND THE MATTER COULD BE SETTLED SPEEDILY. IN REPORTING COREPER'S DISCUSSION HE WOULD INSIST ON THE URGENCY OF A DECISION. REFERRING TO THE COMMISSION'S PROPOSAL FOR A COUNCIL DECISION (COPY BY MUFAX) HE ASKED THAT THE REFERENCE IN PARA 2 OF THE EXPLANATORY NOTE TO THE MEETING OF FOREIGN MINISTERS ON 25/26 JANUARY BE DROPPED. COMMISSION SAID THAT IT WAS INTENDED TO BE HELPFUL TO THE FRENCH, BUT THEY HAD NO OBJECTION TO OMITTING THE PHRASE. (THIS SUGGESTS THAT THE FRENCH ARE TRYING TO AVOID THE ISSUE OF "SANCTIONS" AND WILL TREAT THE MATTER ON PURELY TRADE POLICY GROUNDS)

RESTRICTIONS ON SOVIET EXPORTS

8. UK SUGGESTED THAT MEMBER STATES SHOULD PROVIDE DETAILS TO THE COMMISSION OF CHANGES THEY COULD ENVISAGE IN THE QR REGIME

8. UK SUGGESTED THAT MEMBER STATES SHOULD PROVIDE DETAILS TO THE COMMISSION OF CHANGES THEY COULD ENVISAGE IN THE QR REGIME BY EARLY NEXT WEEK; AREAS WHERE SOVIET DUMPING WAS CLEARLY PRACTISED PROVIDED ONE OBVIOUS POSSIBILITY. THIS WOULD HELP COMMISSION ASSESS WHAT KIND OF PACKAGE ACCEPTABLE TO MEMBER STATES MIGHT BE ENVISAGED. SUBJECT TO GREEK REQUEST THAT THEIR NEGATIVE VIEW SHOULD BE RECORDED AND COMMISSION REQUEST THAT MEASURES ON TARIFFS AS WELL AS QRS SHOULD BE LOOKED AT, IT WAS AGREED THAT MEMBER STATES SHOULD PROVIDE THIS INFORMATION IN TIME FOR A MEETING OF THE WORKING GROUP ON 2 FEBRUARY.

9. IN SUBSEQUENT INFORMAL DISCUSSION, KAWAN SUGGESTED TO US THAT THE BEST COURSE WOULD BE AN ACROSS-THE-BOARD DECISION IMPOSING RESTRICTIONS ON A NUMBER OF ITEMS (PERHAPS 25 IN NUMBER) ON THE LIBERALISED LIST, ON THE BASIS OF MEMBER STATES LIMITING IMPORTS TO, SAY, 50 PER CENT OF PREVIOUS YEAR'S VOLUME. ACTION ON EXISTING QRS PRESENTED GREATER PROBLEMS IN VIEW OF COMMITMENTS ALREADY MADE TO NATIONAL IMPORTERS, AND BECAUSE OF THE SCOPE FOR ENDLESS ARGUMENT AMONG EXPERTS ON THE PRECISE PERCENTAGE OF REDUCTIONS FOR EACH ITEM. HE ALSO URGED THAT WE CONSIDER SERIOUSLY ACTION ON TARIFFS; IN THE COMMISSION'S VIEW THE LEGAL DIFFICULTIES WERE NOT INSURMOUNTABLE.

FCO ADVANCE TO:

FCO - BRIDGES; EVANS; BULLARD; FERGUSON; CROWE; BROOMFIELD;
MS YOUNG

CAB - WENTWORTH
DOT - CORLEY
MAFF - PARKHOUSE
TSY - MOUNTFIELD

FCO PASS SAVING TO COPENHAGEN THE HAGUE ROME DUBLIN
MOSCOW WARSAW

BUTLER

NNNN

Poland

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

28 January 1982

Dear John

POLAND

Since I wrote to you yesterday about the matters for discussion at OD this afternoon, there has been no new indication either that the other Europeans are willing to take more serious measures towards the Soviet Union or that the Americans are willing to discuss the problem of existing contracts with the Europeans. The Foreign and Commonwealth Secretary and the Lord Privy Seal therefore see a growing risk of a public transatlantic dispute which could have lasting consequences for relations among the Allies and for Western security. Lord Carrington and Mr Atkins suggest that the time has come for an urgent message from the Prime Minister to President Reagan, to draw the President's personal attention to the situation we face and the importance of the problem about existing contracts.

I enclose a draft message (which has been telegraphed to Lord Carrington in Jakarta). This does not break new ground as regards the specifics of British policy and may not require full discussion at OD today. The passage in square brackets would be included only if it accorded with the conclusions of the meeting.

I am sending copies of this letter to the Private Secretaries of Members of OD, to Robert Lowson (MAFF), Julian West (Energy), David Clark (DHSS), David Edmonds (Environment), Graham Austin (Industry) and David Wright (Cabinet Office).

Yours ever

M A Arthur

M A Arthur
PS/Lord Privy Seal

A J Coles Esq
10 Downing Street
London SW1

CONFIDENTIAL

MESSAGE FROM PRIME MINISTER TO PRESIDENT REAGAN

1. I am sure that you ~~must~~ share my feeling that the West is not doing as well as it should about Poland. I am increasingly concerned about ~~the duration and growing seriousness of~~ the differences among the Allies ^{with regard to} ~~concerning~~ measures towards the Soviet Union.

2. At the meeting of the North Atlantic Council on 23 January, the United Kingdom indicated a list of measures which, in the context of agreement about the non-undermining of each other's measures, we were willing to take if others would act in a comparable way. Unfortunately, most of the other European countries seemed to be unwilling to take more than minimal action towards the Soviet Union in the economic field.

3. The measures which the UK has taken or would in principle be willing to take include:

Towards Poland: restriction on Polish diplomatic missions, down-grading of diplomatic contacts, increased broadcasts to Poland, suspension of commercial credit other than for contracts already concluded, the placing in suspense of negotiations about debt rescheduling for 1982, / and within the EC / ~~subsidised~~ food exports /at specially subsidised prices and an increase in humanitarian aid to the Polish people.

Towards the Soviet Union: additional restrictions on Soviet diplomats, reduced activity under our technical cooperation exchange agreements, exposure in the Madrid Review Conference of Soviet complicity in the repression in Poland, readiness to move with our European Community partners to /increase

CONFIDENTIAL

increase the interest rates on export credit to the Soviet Union, readiness with our ^{European} Community partners to restrict certain imports from the Soviet Union, termination in concert with others of our bilateral Maritime Agreement with the USSR and national restrictions on Soviet factory ships.

4. The other important aspect of the ^{problem} ~~subject~~ is the effect of the measures which you announced on 29 December on existing contracts between European firms and the Soviet Union. As you know, the NATO contingency planning for the worst case eventuality of Soviet invasion of Poland foresaw action only with regard to future contracts. The withholding of American items for equipment to be supplied to the Soviet Union under existing European contracts would have a severe effect on the Siberian pipeline project. Whatever one thinks of that project, I am certain that the Germans and the French will not be brought to abandon it, short of a full Soviet invasion of Poland. It is therefore my considered view that an accommodation on this is an essential component of allied unity over Poland. The British interest in exports of equipment for the pipeline is smaller than those of France, Germany and Italy. But one important British firm, John Brown Engineering, has a major contract without which its position will quickly become critical and there will be major additional unemployment in an area already badly hit by the recession.

5. British and US officials have been talking about how Britain and the other Europeans could avoid undermining the effects of the measures you announced on 29 December. [We have now worked out some additional ideas with regard to future contracts, although I cannot say whether they will be acceptable to the other Europeans.]

6. If the Alliance is to produce a credible reaction to /Soviet

- 3 -

Soviet involvement in Poland, it is highly desirable that an arrangement should be agreed before the meeting of the North Atlantic Council on 3 February, which is due to complete the consideration of Allied measures. I can ~~only~~^{only} see ^h one possible basis for agreement: that the Europeans should agree to take economic as well as political measures towards the Soviet Union of types comparable to your measures and the ones which the UK has offered to take; and that the Europeans should provide adequate undertakings about not undermining the US measures with respect to future contracts, while existing European contracts would go ahead.

7. What we need, I suggest, is for the United States to call a secret meeting in the next few days of senior economic officials from countries most concerned - the United States, Britain, France, Germany and Italy. The officials would come to the meeting with comprehensive instructions to enable them to negotiate an arrangement on the lines sketched out above, for their Governments to consider in time for the NATO meeting on 3 February. The timetable is short but I suggest that we should do our very best to stick to it.

8. Meanwhile I understand your feeling that additional American measures may be necessary if the situation in Poland does not improve, but feel sure that you will wish to defer any further unilateral actions until the possibility of a NATO-wide package - with which Japan and others should moreover be associated - has been fully explored. The risks of delay are surely less serious than those of a premature forcing of the issue, leading to an open split in the Alliance: indeed with the contest in Poland assuming

a long-term character I see advantage in unfolding the
Western position progressively and at a deliberate pace.

①.

PRIME MINISTER

Day of Solidarity with the Polish People -
Your message for US Television

As you know, we are planning to record this at 1015 on Friday. I attach a note by Mr. Kydd about the technical arrangements.

I also attach a slightly shortened version of the draft message which you saw last night. This should bring it close to the 75 seconds which is desirable on this occasion.

A.F.C. $\frac{28}{1}$

h.c.

28 January 1982

E. R.

DRAFT MESSAGE

Poland has a special place in British history and in British hearts.

My generation will never forget that Poland was Britain's ally from first to last in the Second World War:

- Polish squadrons flew with ours in the Battle of Britain
- Polish infantry fought with ours at Monte ^SCasino_L in Italy
- Polish sailors died with ours to keep open the Atlantic lifeline from America.

Now, again, we are inspired by the people of Poland.

^{has}
~~The reform movement which they launched a year and a half ago~~ kindled new hope in their country and all over Eastern Europe.

More than that.

^{has}
It reminded us in the West of the precious quality of our own freedom.

^{see}
We ~~saw~~ others bravely struggling for the liberties which we had taken for granted.

/The sight

The sight warmed ^s ~~ed~~ our hearts.

But it ^{has} sent a chill of fear through those who seek
^{to} to hold men in tyranny.

The age-old lesson of history ^{is that} ~~was taught again~~ the human
spirit will not accept repression.

Men will strive for freedom whatever the odds.

In Poland today the flame of freedom may seem to burn less
brightly.

We cannot see it so clearly through the dark glass
of repression.

But it has not been extinguished.

Nor can it be.

~~Polish history teaches that Poles will never renounce
the struggle to decide their own future in their own
way.~~

They will ^{succeed} ~~exceed~~.

Sooner or later ^{the} their oppressors will understand that
they cannot impose their will upon a people who ask
only: "Let Poland ^{be} ~~by~~ Poland". ?

YOUR MESSAGE FOR THE "LET POLAND BE POLAND" TV PROGRAMME

Background

President Reagan has declared Saturday "Day of Solidarity with the Polish People". American labour organisations, churches and other private groups are taking part in rallies and demonstrations on that day. Other groups throughout the world, including this country, are organising similar events. The television programme "Let Poland be Poland" has been organised by the US International Communications Agency (ICA) in support of Solidarity Day. It will be broadcast on Sunday.

Recording Your Message

COI are handling this and as usual have engaged a commercial production company. They will use ENG and the tape will be satellited to the producers in New York. An auto-cue will be available if you wish to use one. You will also be able to view the recording immediately and if necessary re-tape your message. No special make-up will be necessary.

I am arranging for you to record the message in the White Drawing Room sitting behind the kidney shaped desk as you did for the Information Technology message.

Where will the programme be seen?

ICA are not normally able to disseminate their material within the USA. But a resolution is expected to be approved by Congress which will enable the 90 minute programme to be broadcast in the States. It will be carried on Sunday by the public broadcasting service (non-commercial television) and will be available to approximately 250 US TV stations.

Outside the US 47 countries so far (mainly in Western Europe and Latin America) have accepted a satellite feed. Video tapes

will be sent to a further 50 or so countries. Voice of America will transmit by radio throughout the world.

In this country only ITN have made plans to take a feed. They intend to use excerpts in news and current affairs programmes.

UK media interest

There is considerable press interest in your participation. Initially the press were surprised that world leaders should be taking part with entertainers. We have pointed out that despite the show-business element the emphasis of the programme will be on documentary reporting of the Polish situation, past and present, together with comment from world leaders. The media are now waiting to see the outcome.

Distribution of your message in the UK

In view of the above it is important that your message should be available in full. We have resisted requests from BBC and ITV (and all the US networks) to be present at the recording as this would be untidy, difficult to manage and likely to encourage light-hearted reporting. However COI will distribute tapes (audio and video) and transcripts. But we should not overlook the print media need for pictures. I would therefore like a COI stills photographer to be present in order that one or two pictures of you delivering the message can be made available.

Agree?

IAN KYDD

28 January 1982

ds



10 DOWNING STREET

THE PRIME MINISTER

28 January 1962

Dear Mr. Edwards,

Thank you for your letter. I was delighted to learn that Greg Miskiw was safely on his way out of Poland - and I hope that he will be back in London by the time you get this letter.

I am glad we were able to help.

His experiences must have been a nightmare. I hope he will be able to put it behind him.

Bob Edwards, Esq.

Yours sincerely

Harold Wilson

HL

CONFIDENTIAL

GRS 588

CONFIDENTIAL

FM WARSAW 271420Z JAN 82

TO IMMEDIATE FCO

TELNO 169 OF 27TH JANUARY 1982

INFO ROUTINE: WASHINGTON, MOSCOW AND UKDEL NATO

INFO SAVING: EAST BERLIN, PRAGUE, SOFIA, BELGRADE, BUCHAREST,
BUDAPEST, HELSINKI, STOCKHOLM, UKMIS NEW YORK, UKREP BRUSSELS,
PARIS, BONN AND MODUK.

POLAND.

1. THE BBC CORRESPONDENT (PLEASE PROTECT) HAS GIVEN US A COPY OF A DECLARATION ISSUED BY THE ALL-POLAND RESISTANCE COMMITTEE OF SOLIDARITY. IT SAYS THAT ON 13 JANUARY THERE WAS A MEETING OF THOSE MEMBERS OF THE NATIONAL COMMISSION OF SOLIDARITY WHO ARE FREE AND CONTINUING TRADE UNION ACTIVITY, AND OF OTHER ACTIVISTS. THEY SET UP AN ALL-POLAND RESISTANCE COMMITTEE UNDER THE CHAIRMANSHIP OF SOMEONE GIVEN THE PSEUDONYM "MIESZKO". (THIS IS THE NAME OF THE FIRST POLISH KING). THIS COMMITTEE WILL STAY IN EXISTENCE AS THE CHIEF EXECUTIVE OF SOLIDARITY UNTIL THE STATE OF WAR IS LIFTED, INTERNEES ARE RELEASED AND GENUINE DIALOGUE IS OPENED BETWEEN THE GOVERNMENT AND THE PRESIDUM OF THE NATIONAL COMMISSION UNDER THE CHAIRMANSHIP OF WALESIA. THE COMMITTEE TAKES ON ITSELF THE OBLIGATION OF COORDINATING CONSPIRATORIAL ACTIVITY THROUGHOUT THE COUNTRY. THE COMMITTEE CALLS FOR UNITY AND SOLIDARITY.
2. NEITHER SEBASTIAN NOR WE CAN ASSESS THE AUTHENTICITY OF THIS DOCUMENT. BUT IT WOULD MAKE SENSE THAT THE SOLIDARITY ACTIVITY WE KNOW IS GOING ON REGIONALLY SHOULD EVENTUALLY BE COORDINATED NATIONALLY. AND THE RELAXATIONS OF MARTIAL LAW WOULD ALLOW THE COORDINATION NECESSARY.
3. THE SEJM FINISHED ITS TWO-DAY SESSION YESTERDAY AND PASSED THE "TEACHERS' CHARTER" WHICH INTRODUCED MODEST REFORMS IN THE EDUCATIONAL SPHERE AND GIVES MORE FREEDOM TO INDIVIDUAL TEACHERS. IT SEEMS LIKELY THAT THE GOVERNMENT WILL CONTINUE TO PASS THE REFORMS THAT WERE ON THE STOCKS BEFORE MARTIAL LAW BEGINNING WITH THE LESS CONTROVERSIAL AND LEADING UP TO THE GOVERNMENT'S VERSION OF THE TRADE UNION BILL.
4. MOST UNIVERSITIES ARE TO RESUME ACTIVITY ON 4 FEBRUARY. A NUMBER OF INSTITUTIONS OF HIGHER EDUCATION HAVE ALREADY DONE SO. WE HAVE HEARD THAT THE MILITARY WILL BE ORGANISING TWO DAYS OF SPECIAL LECTURES IN ALL UNIVERSITIES NEXT WEEK, PRESUMABLY TO TRY TO INDOCTRINATE NEW STUDENTS.
5. TODAY'S PRESS SAYS THAT WORK ON BUILDING AN UNDERGROUND IN WARSAW WILL START NEXT YEAR. THIS ECHOES A REFERENCE IN JARUZELSKI'S SPEECH.

CONFIDENTIAL

16.

CONFIDENTIAL

6. SALES OF PETROL FOR PRIVATE CARS WILL RESUME FROM 1 FEBRUARY. PRIVATE MOTORISTS WILL BE ABLE TO BUY 30 OR 45 LITRES OF PETROL EACH MONTH, DEPENDING ON THE SIZE OF THEIR CAR.

7. THE PRESS ANNOUNCES TODAY THAT THE POZNAK FAIR WILL GO AHEAD FROM 13-22 JUNE THIS YEAR. ITS DIRECTOR, SITAREK, ANNOUNCED RATHER OPTIMISTICALLY AT A PRESS CONFERENCE THAT IT WOULD INCLUDE EXHIBITORS FROM BOTH SOCIALIST AND CAPITALIST COUNTRIES.

FCO PLEASE PASS SAVING TO ALL SAVING ADDRESSEES

MELHUI SH

REPEATED AS REQUESTED

POLAND SPECIAL
STANDARD

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POLAND SPECIAL

[COPIES SENT TO NO 10 DOWNING ST]

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CONFIDENTIAL

Ref: B06393

PRIME MINISTER

c Sir Robert Armstrong

OD: POLAND

BACKGROUND

Tomorrow's meeting will be the first time OD has considered Poland since the imposition of martial law. But the principal Ministers concerned were present at the ad hoc meeting under your chairmanship on 7th January which agreed on the line the Foreign and Commonwealth Secretary should take at the Ministerial meeting of the North Atlantic Council (NAC) on 11th January about Western counter-measures against both Poland and the Soviet Union. The communique after that meeting included a commitment on the part of the Allies not to undermine the national measures which the United States Government had announced on 13th December, immediately after the crack-down in Poland. The difficulty of reconciling this commitment with European determination to fulfil existing contracts, especially those relating to the West Siberian gas pipeline project, has since become increasingly apparent; but the two issues may still provide the basis for a deal. In response to further proposals from the Foreign and Commonwealth Secretary (Mr Fall's letter of 18th January to Mr Coles), you agreed (Mr Coles' letter to Mr Richards of 22nd January) that we should discuss with our partners the package of British counter-measures we have in mind; but that we should not commit ourselves to them until

- (a) the problem of existing contracts (including John Brown's £120 million contract for part of the pipeline project) was satisfactorily solved; and
- (b) Ministers were satisfied that our partners had broadly comparable measures in mind.

Neither of these points was clarified at a further meeting of the NAC (at official level) on 23rd January. But there is now strong American pressure for the Alliance response to the Polish situation to be settled at the regular meeting of the NAC scheduled for 3rd February, which will be

(Not attached but available if wanted).

*See Mr. Haig's message of today (attached).
A.J.C.*



devoted to this issue; and there are also signs that the Americans are thinking of announcing further national measures of their own. The French and Germans seem less inclined than we are to try to support the Americans. The danger of a serious and public split in the Alliance is therefore becoming acute.

2. Against this background the Foreign and Commonwealth Secretary wants OD to consider what international compromise we might be able to work out urgently over the next few days, both in order to save existing European contracts like John Brown's and in order to present a tolerably united Alliance front. His Private Secretary will be circulating a letter setting out the political background and the points on which, in his own absence, the Lord Privy Seal will be seeking the Committee's guidance. There is interdepartmental agreement at official level that the Committee need only focus on three aspects of the problem at this stage, of which the second and third are matters of report but the first involves a substantial difference of opinion between the Foreign and Commonwealth Office and the Department of Trade.

(i) Existing contracts and not undermining.

We have taken the lead in responding to American hints of a possible deal whereby the European allies would undertake to interpret their commitment not to undermine the existing United States measures in terms acceptable to the Americans, who in return would allow the release of United States know-how and equipment required for the fulfillment of existing European contracts. We have in mind a particular interpretation of not undermining, which is agreed interdepartmentally and which we are seeking to sell to the French, Germans and Italians. But meanwhile the Americans, on whom we have tried it, are insisting that it does not go far enough. This presents us with a dilemma. The Foreign and Commonwealth Office want to offer a more forthcoming interpretation, in the hope of saving both Alliance unity and the John Brown contract. The Department of Trade believe Alliance unity unattainable unless the Americans can be persuaded at a high level to accept our existing offer; and would rather sacrifice John Brown than interpret not undermining in a way which would



a veto on
 give the Americans too many future contracts with the Soviet Union.
 The Lord Privy Seal will therefore be arguing for the bird in the hand
 (John Brown) and the Secretary of State for Trade for the bird in the
 bush (future East-West trade).

(ii) Broadly comparable measures

It is still too early to judge whether the packages of measures being
 contemplated by our allies are sufficiently comparable to our own. But
 it will be necessary to take a view on this by the time the NAC meets on
 3rd February. The Lord Privy Seal will be circulating recommendations
 before then, and collective discussion may be necessary (eg on 2nd February)
 if these are not generally acceptable to his colleagues.

(iii) The link between (i) and (ii)

We and our European allies will need satisfaction on existing contracts
 before we can agree to any package of measures; and the more we have to
 promise on not undermining the less case there will be for maximising
 our other measures. What happens under (ii) will therefore depend
 partly on what happens under (i); and this is how our European allies
 will also see it.

HANDLING

3. The Lord Privy Seal and the Secretary of State for Trade should each
 be invited to state their case, in that order. This should make clear
 that only point (i) above is currently in dispute. The Secretary of State
 for Industry (who has been invited to attend the meeting) will wish to
 comment on the relative industrial importance of the bird in the hand and
 the bird in the bush; and the Chancellor of the Exchequer will have views
 on the wider economic implications of the choice, both domestically for
 the United Kingdom and in terms of relations with the Americans. You
 will then wish to probe the Lord Privy Seal's views on how likely we are
 to be able to carry our European allies if we try to go further towards
 the Americans on not undermining; and the Secretary of State for Trade's
 views on how important future Soviet contracts are likely to be, given
 the chilly state of East-West relations.



4. On point (ii), the Minister of Agriculture, who has also been invited to the meeting, may wish to query the way in which the licensing of factory ships might be used to discriminate against the Soviet Union. His concern (shared on grounds of principle by the Secretary of State for Trade) is that we should not revoke licences once issued, because this would be to break existing contracts. But it is possible that he may have been able to resolve this difficulty satisfactorily with the Lord Privy Seal before tomorrow's meeting.

CONCLUSION

5. The Committee are likely to accept that the Lord Privy Seal should be the best judge of what our allies are likely to settle for. You may therefore be able to secure general agreement that he should explore his further ideas on point (i), both with our main European partners and with the Americans, but without commitment until the shape of a possible deal becomes clearer.

6. On that basis, the Lord Privy Seal could be invited to minute his colleagues further on 1st February, setting out his final recommendations on points (i) - (iii), in time for clearance out of committee (or if necessary another meeting) before the NAC meeting on 3rd February; unless by then the Americans have agreed that the moment of decision can be further postponed in the interests of maximising unity.

R L WADE-GERY

27th January 1982

Secretary of State

EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

January 27, 1982

EESD

~~PS~~

PS/LPS

PS/Mr Hurd

PS/Lord Trefgarne

PS/PS

Mr Bullard

Lord Bridges

Mr Goodison

Mr Evans

Mr Gilmore

Mr Wilberforce

Mr Hannay

Planning Staff

Defence Dept

ERD

ECD(E)

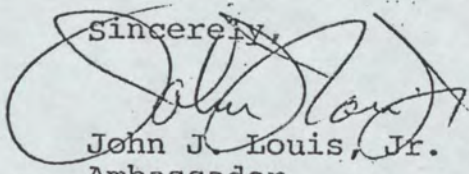
TRED

Att. 27/1

Dear Foreign Secretary:

I have been asked to deliver the enclosed message to you from Secretary Haig, which was received at the Embassy this morning.

Sincerely,



John J. Louis, Jr.
Ambassador

Enclosure:

As stated

The Rt. Hon. The Lord Carrington, KCMG, MC,
Secretary of State

for Foreign and Commonwealth Affairs,
Foreign and Commonwealth Office,
London, SW 1.

One 27/1

406

January 26, 1982

Dear Peter:

Soviet Foreign Minister Gromyko and I met for almost eight hours today, and we had a wide-ranging discussion of a number of issues: Poland, of course; Afghanistan; Cuba, Southern Africa; the INF negotiations; Strategic Arms negotiations; and a number of bilateral issues, including Human Rights. We will be giving you a full briefing on the talks in Brussels on Wednesday, but I wanted to give you an immediate assessment of our discussions on Poland--and the tasks that stand before us.

Gromyko failed utterly to satisfy our concerns. He denied that the Soviets were in any way involved in the repression in Poland, and he asserted that they would not become involved. Rather, he charged that it was the United States that had been intervening in Polish internal affairs for a long time. His basic stance made clear that, in Moscow's opinion, Poland was not a legitimate subject for discussion between the United States and the Soviet Union. Although he listened carefully to what I had to say, he did not respond directly to any of the points I made. His presentation dwelt primarily on arms control--the INF negotiations in particular--as I expected. On this he repeated the basic position Brezhnev has laid out and which was conveyed to our negotiators before Christmas. We will be describing what he said in more detail at the Wednesday NAC.

I believe Gromyko, notwithstanding his effort to avoid serious discussion of Poland, understood my message that the U.S. would not tolerate Soviet persistence in using force or the threat of force to block peaceful change--in Poland and elsewhere. I also believe the Soviets have been shaken by the unified direction our response to Poland has taken. But his intransigence bears an important message for us all: the U.S. needs greater Allied support if we are to stand any chance of inducing Moscow to change course in Poland. I remain convinced that the Soviets are uncertain about what to do about Poland, and that Western nations acting in concert do have sufficient leverage to affect Moscow's actions. While our prospects for success are by no means certain, moral considerations and our political steps to date demand that we act.

I was not especially encouraged by Saturday's NAC meeting on follow-up action to the January 11 Ministerial Declaration. While we Ministers agreed that the situation

in Poland is bound to affect East-West economic relations, this concept has not yet been implemented in any significant way. Moreover, I would be less than candid if I did not also say that I was profoundly disappointed by the French decision to sign an agreement with the Soviets on natural gas purchases the very same day, right on the eve of my Geneva talks with Gromyko. While we have different views on the basic wisdom of the pipeline project, and on the more specific issue of the timing of decisions on the pipeline in the context of the continuing Soviet-sponsored repression in Poland, the French decision can only nourish the perception of Allied disunity which the Soviets are so eager to exploit, and which undercuts our collective ability to induce moderation in Poland.

We agree that the situation within Poland is deteriorating. For our part, because of that deterioration, and Gromyko's uncompromising position, we are giving serious and urgent consideration to additional measures vis-a-vis the USSR going beyond the initial steps announced by the President on December 29.

A continuing deterioration of the Polish situation could face us all with the kind of crisis there that will put all our achievements and all our hopes for stable and productive East-West relations in grave jeopardy. The stakes go far beyond Poland and our economic ties to the East. They extend to the very basis for constructive dialogue with the Soviet Union and its Allies in every area. Over the long term, a secure future can be assured only when the Soviet Union recognizes as a matter of policy that it is in its interest to accept peaceful change within an internationally acceptable framework of law and obligation in Eastern Europe.

These are objectives to which my country is committed. They are not chimerical. There is uncertainty still in the Polish situation. We thus have a clear responsibility to use every reasonable policy instrument at our disposal to arrest and reverse the present downhill course, to encourage the Soviets and the Polish military to meet the standards for genuine progress we--and the Polish Episcopate and much of Poland's intellectual elite--have identified.

In sum, I believe that strong actions by all of us are needed in the near term in order to induce the Soviets to ease the repression in Poland. The NAC meeting now scheduled for February 3 thus takes on extraordinary importance for the Western consultation process and for Western policies. I hope you will make policy officials from London available. Our objective should be a meeting which can be followed almost immediately by the announcement

of national measures in capitals.

Now is the moment to give concrete evidence of our will to help the Polish people. If that is our common objective, as I am convinced it must be, we can do no less.

Sincerely,

/s/

SECRET

BANK OF ENGLAND
LONDON EC2R 8AH

TEL. NO. 01-6... NE
The Rt Hon Sir Geoffrey Howe QC MP
HM Treasury
Parliament Street
London
SW1P 3AG

My dear Geoffrey,

1 Over the past few weeks there have been indications from various sources to the effect that, in the context of possible economic sanctions against Poland and the Soviet Union, discussion is going on in the US Administration of the possibility of forcing Poland into formal default on its borrowing. The precise purpose of such a move varies from report to report, but a common feature seems to be the hope that it would lead to a withdrawal of Western credit from other East European countries, possibly leading to defaults on their part and leading to trading and payments difficulties for the Soviet Union itself. The most extreme version of this story, perhaps, is the report in the Financial Times of 16 January, (herewith) which attributes the proposal to Defence Secretary Weinberger and Mrs Kirkpatrick, the US Ambassador to the UN, and implies that the object is as much to punish the Europeans for their feeble response to the US call for sanctions against the Soviet Union as to damage the Communist countries. We have other independent evidence that Weinberger may still be on such a tack.

2 One might suppose that these reports reflect merely the frustrations of the more hawkish of the Administration's supporters - which are given an airing, for instance, in Kissinger's critique of US and Western policy towards Poland. But I have now seen a copy of Nicko Henderson's telegram no 206 of 22 January, which suggests (paragraph 8) that a "force a debt default" policy is indeed under

serious consideration, presumably at highish levels in the Administration. He goes on to warn that serious damage may be done to the Western Alliance "unless the Europeans make some sort of noises and take some sort of measures that can be regarded here as impinging on the Soviets" (para 10).

3 This prompts me to write to urge that we do not give the Americans any support for this particular sanction and, if it is indeed put forward as a serious proposition, that we do all we can to open their eyes to how two-edged and dangerous a weapon it would be.

4. The recent Cabinet Office paper on Eastern European Indebtedness (Misc 64(82)2 dated 18 January 1982) which has been submitted to Ministers concludes that a domino collapse in Eastern Europe is unlikely, and that banks should be encouraged to make their own assessment of market risk, judging each country on its merits. This has certainly been the line we have been taking in the Bank, in Basle with other central bank Governors and with UK banks themselves. The consequences of deliberately provoking such a collapse are totally unpredictable, but the international banking system's unguaranteed exposure to Eastern European countries is sufficiently large that it could not fail to inflict a serious blow on our own banking systems, with very dangerous implications for our domestic economies, as well as seriously threatening the fragile recovery of the world economy we are nurturing. There is no possibility that the United States could be insulated from the consequences of a collapse of confidence in one or a number of European banking systems, even if their own banks emerged from Eastern European defaults relatively unscathed. Nor does it seem to me likely that forcing the Eastern Europeans into default will make them change their political or economic systems.

5 All of this seems so obvious that it is difficult for me to believe that the US Administration can have such a sanction under serious consideration. The trouble is, however, that the mere fact that the reports to this effect are given currency can itself influence banks' behaviour in an unhelpful direction, as they seek to protect themselves against possible risks ahead. At the risk

therefore of appearing to overreact to an unlikely contingency, I still think it would be worthwhile making our concern in this respect known to the Americans at a very high level. The Financial Times report I referred to above said that the State Department and Treasury had "blocked" the idea, but Nicko Henderson's telegram suggests otherwise. I understand the Foreign Office are providing him with arguments with which to rebut many of the US arguments, including that relating to debt default. I wonder, however, whether you would consider it timely to say something to Don Regan?

6 I am sending a copy of this letter to Peter Carrington and Robert Armstrong.

FINANCIAL TIMES 16.1.82

Yours ever

Weinberger plan to make Poles default

By Our Washington
Correspondent

A PLAN to force Poland into formal default on its borrowings if European countries refused to back the U.S. in its economic sanctions against Poland and the Soviet Union was put forward earlier this month by Mr Casper Weinberger, the Defence Secretary, and Mrs Jeane Kirkpatrick, the Ambassador to the UN.

But the plan was blocked by President Reagan's other advisers, led by the State Department and the Treasury, according to leaks emerging from the State Department.

Mr Weinberger's view was that European governments and businesses would have a great deal to lose from a Polish default, because this could lead to defaults by other Eastern block countries and would undermine the creditworthiness of the Soviet Union, making trade with Eastern Europe much more difficult.

However, the State Department argued that a default provoked in this way would threaten to Nato alliance.

Worden

(27 January 1982)

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CONGRESSIONAL HEARING ON POLISH DEBT

1. THE EUROPEAN AFFAIRS SUBCOMMITTEE OF THE SENATE FOREIGN RELATIONS COMMITTEE HELD A HEARING TODAY ON THE ADMINISTRATION'S POLICY ON POLISH DEBT. THE GENERAL PURPOSE OF THE SESSION WAS FOR THE SUBCOMMITTEE TO ASSURE ITSELF THAT THE ADMINISTRATION WAS TAKING EVERY POSSIBLE OPPORTUNITY TO EXPLOIT WHATEVER LEVERAGE THERE WAS IN THE DEBT FIELD IN ORDER TO PUT PRESSURE ON THE POLISH AUTHORITIES TO LIBERALISE THEIR POLICIES.
2. SENATORS LUGAR (CHAIRMAN) AND BIDEN (RANKING MINORITY MEMBER) TOOK THE LEAD IN ASKING QUESTIONS. SENATOR CLAIBORNE PELL WAS ALSO PRESENT FOR SOME OF THE TIME.
3. ASSISTANT SECRETARIES HORMATS (STATE DEPARTMENT) AND LELAND (TREASURY) TESTIFIED FOR THE ADMINISTRATION. HORMATS READ FROM A PREPARED STATEMENT AND LELAND PROVIDED A FACT SHEET FOR THE SUBCOMMITTEE (COPIES BY BAG). THEY EMPHASISED THAT THE EUROPEAN ALLIES WERE IN STEP WITH THE US ON ITS ATTITUDE TOWARDS POLISH DEBT, POINTING OUT THAT NO NEW OFFICIAL CREDITS FROM THE WEST WERE FLOWING TO POLAND (EXCEPT FOR HUMANITARIAN FOOD), THE DISCUSSIONS ON THE 1982 POLISH DEBT RE-SCHEDULING HAD BEEN SUSPENDED, AND NO NEW CREDITS WERE BEING ISSUED BY WESTERN BANKS.
4. IN QUESTIONING, BOTH SENATORS WERE FRIENDLY TOWARDS THE WITNESSES AND AGREED THAT A TOUGH LINE HAD BEEN TAKEN BY THE ALLIES ON NEW CREDITS FOR POLAND. THEY DID NOT PRESS FOR AN INVOCATION OF THE "TANK CLAUSE" IN THE 1981 RE-SCHEDULING AGREEMENT. RATHER THEY EXPLORED THE POSSIBILITY OF PUTTING FURTHER PRESSURE ON POLAND BY SUGGESTING THAT AT SOME STAGE FURTHER NEW CREDITS SHOULD BE OFFERED IN EXCHANGE FOR A RELAXATION OF MARTIAL LAW. BOTH HORMATS AND LELAND EXPRESSED THE VIEW THAT IT WAS PREMATURE TO CONSIDER WHETHER THE FLOW OF NEW CREDIT SHOULD BE RESTORED WITH CONDITIONS THAT MIGHT ACHIEVE THIS AIM. LELAND SAID THAT THE BEST WAY TO GET THE MAXIMUM LEVERAGE OUT OF THE OLD CREDITS WAS BY SEEKING REPAYMENT OF THE EXISTING DEBT.

5. HORMATS AT ONE STAGE GOT INTO SOMETHING OF A TANGLE OVER THE EXTENT TO WHICH THE ALLIES WERE CONSULTED BEFORE PRESIDENT REAGAN ANNOUNCED THE AMERICAN SANCTIONS. IN THE END HE RETRIEVED HIMSELF REASONABLY SATISFACTORY BY SAYING THAT EAGLEBURGER AND OTHERS HAD PRESENTED THE US ANALYSIS OF POLAND AND INDICATED THE "GENERAL SENSE" OF WHAT THE US WOULD DO BY WAY OF SANCTIONS WELL IN ADVANCE. HE ADMITTED HOWEVER THAT THE SPECIFIC MEASURES THAT HAD BEEN ADOPTED HAD NOT BEEN CONVEYED TO THE ALLIES UNTIL ONLY A FEW HOURS BEFORE THEY WERE PUBLICLY ANNOUNCED. SENATOR BIDEN QUERIED WHETHER THIS WAS SATISFACTORY AND ASKED THAT THE ADMINISTRATION SHOULD TELL THE ALLIES EXACTLY WHAT THEY PROPOSED TO DO IN ANY FURTHER ROUND OF SANCTIONS WELL IN ADVANCE.

6. SENATOR BIDEN ASKED FOR INFORMATION ABOUT THE US ASSESSMENT OF THE DAMAGE THAT A POLISH DEFAULT WOULD HAVE ON VARIOUS INDIVIDUAL EUROPEAN COUNTRIES AND ALSO ABOUT WHETHER ANY INTERNATIONAL DISCUSSIONS HAD TAKEN PLACE ON SHARING THE BURDEN OF A POSSIBLE DEFAULT. LELAND DEMURRED ON THIS AND IT WAS DECIDED THAT THESE ISSUES SHOULD BE DISCUSSED IN CLOSED SESSION.

7. THE BRITISH AMERICAN PARLIAMENTARY GROUP OF THE HOUSE OF COMMONS ATTENDED THE HEARING.

8. FCO PLEASE PASS TO CAREY (TREASURY) AND WENBAN-SMITH (CABINET OFFICE).

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TO IMMEDIATE F C O

TELEGRAM NO 248 OF 27 JANUARY

INFO IMMEDIATE: JAKARTA (FOR PRIVATE SECRETARY) PRIORITY: BONN,
PARIS, UKDEL NATO.

MY 3 IPTS:

POLAND, THE USA AND THE ALLIANCE

1. EVENTS IN POLAND AND THE US REACTION TO THEM HAVE PROVOKED ONCE AGAIN TALK ON BOTH SIDES OF THE ATLANTIC OF SERIOUS DIFFICULTIES WITHIN THE ALLIANCE. THIS IS NOT THE MOMENT TO GO INTO THIS IN DETAIL WITH YOU BUT THE POLISH ISSUE MIGHT PROVIDE THE OCCASION FOR YOU TO RAISE WITH HAIG SOME OF THE UNDERLYING PROBLEMS AND HOW THEY MIGHT BE TACKLED.
2. WHAT I AM GETTING AT IS THE CONSTANT REFRAIN WE GET FROM HIM AND THE HIGHER REACHES OF THE STATE DEPARTMENT THAT A MAIN SHORT-COMING OF THE ALLIANCE AT THE PRESENT TIME IS THE LACK OF AN INSTITUTIONAL STRUCTURE FOR LIAISON BETWEEN NATO AND THE COMMUNITY. MUCH OF THE TALK OF ALLIANCE CRISIS ARISES FROM A FAILURE TO UNDERSTAND THE LIMITS OF WHAT NATO IS RESPONSIBLE FOR, WHICH LEADS TO FRUSTRATION WHEN IT IS REALISED HOW INCAPABLE IT IS OF MEETING ISSUES THAT ARISE OUT OF AREA, AS IN THE MIDDLE EAST, OR OF THE POLITICAL KIND, AS IN POLAND. YET AS VIEWED INCREASINGLY BY WASHINGTON IT IS THESE SORT OF ISSUES THAT POSE A MUCH MORE PERTINENT THREAT TO WESTERN INTERESTS THAN THE DANGER OF SOVIET MILITARY ATTACK UPON WESTERN EUROPE.
3. I REALISE THAT NOTHING MUST BE SUGGESTED OR DONE THAT COULD CONCEIVABLY TINKER WITH THE SOLIDITY OF THE NATO ALLIANCE, PARTICULARLY THE US MILITARY COMMITMENT. BUT I THINK THAT THERE ARE DANGERS OF SOME WEAKENING OF US INTEREST AND INVOLVEMENT, PARTICULARLY IF WESTERN EUROPE SEEMS UNABLE TO ADJUST ITSELF TO THE NEW THREATS. THE AMERICANS OF COURSE KNOW THAT YOU CANNOT SPEAK OF ALL WESTERN EUROPEANS IN ONE BREATH IN THIS RESPECT, BUT THEY DO CONSIDER THAT THE INTERESTS OF SOME OF THEIR PARTNERS ON THE OTHER SIDE OF THE ATLANTIC ARE JUST AS SERIOUSLY ENGAGED IN THESE PROBLEMS AS ARE THOSE OF THE USA.
4. WHEN YOU NEXT SEE HAIG YOU MIGHT LIKE TO ASK HIM WHETHER HE DOES NOT THINK THAT SOME BILATERAL LOOK AT THESE SORT OF PROBLEMS MIGHT BE DESIRABLE. EVENTUALLY THE EXAMINATION WOULD HAVE TO GO BEYOND TO OTHER COUNTRIES BUT, AS WITH THE CREATION OF NATO, IT WOULD PROBABLY BE EXPEDIENT TO BEGIN ON A BILATERAL BASIS: IT WOULD HAVE

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TO BE A SECRET DISCUSSION AT A HIGH LEVEL OR ALTERNATIVELY A STUDY THAT HAD NOTHING TO DO WITH GOVERNMENTS. IN THIS LAST CONTEXT ONE POSSIBILITY MIGHT BE TO HAVE THIS SUBJECT VENTILATED AT THE BILATERAL DITCHLEY MEETING THAT YOU PROPOSE ATTENDING IN APRIL. AT ANY RATE I THINK THAT IT WOULD DO GOOD TO THE UK/US RELATIONSHIP IF WE SHOWED THE AMERICANS THAT WE WERE ALIVE TO THESE PROBLEMS AND WERE READY TO DISCUSS THEM HOWEVER TENTATIVELY.

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FM WASHINGTON 280025Z JAN 82

TO IMMEDIATE F C O

TELEGRAM NUMBER 247 OF 27 JANUARY

INFO IMMEDIATE JAKARTA (FOR PRIVATE SECRETARY)

PRIORITY PARIS, BONN AND UKDEL NATO

MY 2 IPTS:

POLAND, THE USA AND THE ALLIANCE

1. AS WE HAVE SUGGESTED THERE WOULD BE A LOT TO BE SAID FOR PUTTING TOGETHER INTO ONE STATEMENT ALL THE MEASURES WE ARE TAKING AND MAKING THEM APPEAR AS POSITIVE AS POSSIBLE. IDEALLY THIS WOULD EMERGE FROM THE NEXT NAC MEETING EITHER IN THE FORM OF A COLLECTIVE ANNOUNCEMENT OF THE MEASURES MEMBER COUNTRIES ARE PREPARED TO UNDERTAKE: FAILING THAT, IT COULD BE A DECLARATION OF WHAT WE OURSELVES ARE DOING AND ARE PREPARED TO DO.

2. THE FOLLOWING SEEM TO ME THE ITEMS THAT SHOULD BE INCLUDED IN ANY PRESENTATION OF WHAT THE ALLIES (OR HMG) ARE UNDERTAKING:

VIS-A-VIS POLAND

A) POLITICAL

- I) RESTRICTIONS ON POLISH DIPLOMATIC MISSIONS.
- II) BROADCASTS TO POLAND TO INCREASE
- III) RESTRICTIONS ON RELATIONS WITH MILITARY REGIME
- IV) ASSISTANCE TO POLISH REFUGEES.

B) ECONOMIC

- I) COMMERCIAL CREDITS OTHER THAN EXISTING CONTRACTS TO REMAIN IN ABEYANCE.
- II) 1982 DEBT RESCHEDULING DISCUSSIONS TO REMAIN IN SUSPENSE.
- III) CONTINUATION OF HUMANITARIAN ASSISTANCE TO POLAND
- IV) SUSPENSION OF SUBSIDISED FOOD EXPORTS.

VIS-A-VIS THE SOVIET UNION

A) POLITICAL

- I) RESTRICTIONS ON SOVIET DIPLOMATS
- II) REDUCTION IN ACTIVITIES UNDER TECHNICAL COOPERATIONS AGREEMENTS.
- III) CONCERTED CAMPAIGN AT THE CSCE REVIEW CONFERENCE ABOUT POLAND AND THE VIOLATIONS OF THE HELSINKI FINAL ACT.

B) ECONOMIC

- I) READINESS WITHIN A COMMUNITY CONTEXT TO UPGRADE THE SOVIET UNION FOR EXPORT CREDIT PURPOSES TO THE CATEGORY OF QUOTE RELATIVELY RICH UNQUOTE COUNTRY
- II) READINESS WITHIN A COMMUNITY CONTEXT TO RESTRICT SOME CATEGORIES OF IMPORTS FROM THE SOVIET UNION.
- III) READINESS ON A NATIONAL BASIS TO SUSPEND THE BILATERAL MARITIME AGREEMENT.
- IV) READINESS ON A NATIONAL BASIS TO IMPOSE LICENSING RESTRICTIONS ON SOVIET FACTORY SHIPS.

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3. AT THE MOMENT IT LOOKS AS THOUGH WE MAY NEED TO CONSIDER A NATIONAL STATEMENT (EG. ON FISHING AND THE MARITIME AGREEMENT) BECAUSE OF THE DIFFICULTY OF GETTING COMMUNITY AGREEMENT TO MEASURES VIS-A-VIS THE SOVIET UNION WHICH WOULD MAKE IMPRESSION. THERE WILL BE A NEED, SUBJECT TO FURTHER DISCUSSION ON TREATMENT OF EXISTING CONTRACTS, TO INCLUDE SOME DECLARATION CONFIRMING OUR COMMITMENT NOT TO UNDERMINE US ECONOMIC MEASURES. TO MEET US POLITICAL NEEDS THIS WILL HAVE TO TAKE SOME ACCOUNT OF THE PROBLEMS OF US COMPANIES THAT WILL BE PREVENTED FROM BIDDING FOR BUSINESS IN THE AREAS COVERED BY US MEASURES.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 246 OF 27 JANUARY

INFO IMMEDIATE JAKARTA (FOR PRIVATE SECRETARY),

PRIORITY BONN, PARIS AND UKDEL NATO

MIPT: POLAND, THE USA AND THE ALLIANCE

1. THE MEASURES THAT WILL BE CONSIDERED HERE AFTER HAIG'S RETURN WILL INCLUDE:

(A) THE POLISH DEBT: ACTION TO TRIGGER A DEFAULT. YOU SHOULD KNOW THAT BOTH HAIG AND REGAN ARE ARGUING STRONGLY AGAINST THIS. THEY REALISE THE WIDESPREAD REPERCUSSIONS AND BELIEVE THAT IT WOULD ONLY HAVE THE EFFECT OF LEAVING THE POLES ENTIRELY AT THE MERCY OF THE RUSSIANS FOR A LONG TIME. THEY ARE UP AGAINST A SCHOOL OF THOUGHT HERE THAT BELIEVES THAT PUSHING POLAND INTO DEFAULT WOULD SIGNIFICANTLY INCREASE SOVIET ECONOMIC AND POLITICAL DIFFICULTIES IN EASTERN EUROPE; ACCORDING TO THIS SCHOOL THE DECLARED BANKRUPTCY OF POLAND WOULD SHOW UP THE ECONOMIC HOLLOWNESS OF THE COMMUNIST SYSTEM AND IT IS WRONG FOR THE WESTERN WORLD TO BE TAKING ACTION WHICH HAS THE EFFECT OF SHELTERING THE SYSTEM FROM THIS DISCLOSURE. I GATHER THAT THERE IS SOME DISCUSSION LONDON ABOUT THE POSSIBLE DESPATCH OF A HIGH LEVEL MESSAGE POINTING OUT THE DRAWBACKS OF PROVOKING A DEFAULT. MY OWN VIEW IS THAT THIS MIGHT BE USEFUL AMMUNITION FOR REGAN, THOUGH OF COURSE MUCH WOULD DEPEND UPON THE WAY IT WAS COUCHED.

(B) AN EMBARGO ON GRAIN SALES, WHICH WOULD HAVE TO BE PART OF A GENERAL TRADE EMBARGO. AS YOU WILL HAVE SEEN FROM EARLIER MESSAGES FROM HERE, HAIG MAY BE TEMPTED TO PRESS FOR THIS IN ORDER TO FEND OFF CRITICISM FROM THE RIGHT, KNOWING AS HE DOES THAT IT IS MOST UNLIKELY TO GO THROUGH. THE ADVANTAGE OF SUCH A STEP BY THE AMERICANS WOULD BE THAT IT WOULD MAKE THEIR BASIS FOR PRESSURE ON THE EUROPEANS VERY MUCH SOUNDER. SO LONG AS THEY ARE HOLDING BACK FROM CUTTING OFF GRAIN, THEY ARE MAINTAINING TWO-THIRDS OF THEIR PRESENT SCALE OF EXPORTS TO THE SOVIET UNION, WHICH MAKES IT DIFFICULT FOR THEM LOGICALLY TO BLUDGEON THE EUROPEANS WITH TALK OF GREATER BURDEN-SHARING. OF COURSE, IF THEY DID INTRODUCE A GRAIN EMBARGO THIS WOULD CALL THE GERMAN BLUFF AND MAKE MORE DIFFICULT THE WESTERN RESISTANCE TO FAR-REACHING TRADING MEASURES. THE TWO MAIN IMPEDIMENTS TO A GRAIN EMBARGO ARE, FIRSTLY, THAT IT WOULD ENCOUNTER STRONG ECONOMIC AND POLITICAL RESISTANCE IN THE UNITED STATES - THE FEDERAL GOVERNMENT WOULD HAVE TO INTERVENE TO MAINTAIN GRAIN PRICES, AT A VERY HIGH COST. THE SECOND OBVIOUS DRAWBACK IS THAT A GRAIN EMBARGO WOULD BE INEFFECTIVE BECAUSE OTHER COUNTRIES WOULD CIRCUMVENT IT.

*Reagan has now
said publicly that
he is considering
this. A.F.C.*

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(C) THE THIRD AREA OF ADDITIONAL MEASURES WOULD INCLUDE A BAN ON MANUFACTURES UNDER LICENSE BY THIRD COUNTRIES FOR EXPORTING TO RUSSIA GOODS UNDER US EMBARGO; AND IN THE SAME BRACKET AN EXTENSION OF EXISTING US MEASURES TO US SUBSIDIARIES OVERSEAS. THERE COULD ALSO BE ACTION TO CUT OFF EXPORTS OF OTHER INDUSTRIAL GOODS TO THE SOVIET UNION.

2. FOR SAKE OF CLARITY, IT MAY BE WORTH RECALLING THE MEASURES THE US HAS ALREADY TAKEN AGAINST THE SOVIET UNION. THESE ARE AS FOLLOWS:

- AEROFLOT SERVICE SUSPENDED.
- SOVIET PURCHASING COMMISSION CLOSED.
- LICENCES FOR EXPORT TO USSR AND ELECTRONIC EQUIPMENT COMPUTERS AND HIGH TECHNOLOGY MATERIALS SUSPENDED.
- GRAIN NEGOTIATIONS POSTPONED.
- MARITIME NEGOTIATIONS SUSPENDED; PORT ACCESS CONTROLS TIGHTENED.
- LICENCES FOR EXPORTS OF OIL AND GAS EQUIPMENT, INCLUDING PIPELAYERS, SUSPENDED.
- SOVIET/US EXCHANGE AGREEMENTS (ENERGY, SCIENCE AND TECHNOLOGY) NOT TO BE RENEWED.
- COMPLETE REVIEW OF ALL OTHER SOVIET/US EXCHANGE AGREEMENTS.
- INTENSIFIED BROADCASTING.
- CONDEMNATION IN INTERNATIONAL ORGANISATIONS OF SOVIET ROLE IN POLAND STEPPED UP, EG ILO.

3. AS REGARDS ARMS CONTROL, THE AMERICANS HAVE NOT EXCLUDED ENGAGING START TALKS LATER IN THE YEAR IF THE PRESENT TURBULENCE DIES DOWN AND WORK ON THE US POSITION IS PROCEEDING. IN THE MEANTIME OTHER ARMS CONTROL NEGOTIATIONS WILL CONTINUE. YOU KNOW ABOUT US SENSITIVITY OVER CSCE AND HAIG'S WISH TO WIND UP THE MADRID CONFERENCE AS SOON AS POSSIBLE AFTER DELIVERING A SERIES OF BROAD-SIDES ABOUT POLAND.

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TO IMMEDIATE F C O

TELEGRAM NO 245 OF 27 JANUARY

INFO IMMEDIATE: JAKARTA (FOR PRIVATE SECRETARY) PRIORITY: BONN,
PARIS, UKDEL NATO

YOUR TELNO 114: POLAND, THE USA AND THE ALLIANCE

1. WE HAVE BEEN GIVING FURTHER THOUGHT TO WHAT YOU MIGHT DO TO MEET THE IMMEDIATE PROBLEMS THAT ARE ARISING OUT OF THE US WISH TO TURN THE HEAT ON RUSSIA AND TO INDUCE THEIR EUROPEAN ALLIES TO DO THE SAME SEMICOLON AND ABOUT THE UNDERLYING DIFFICULTIES OF THE ALLIANCE THAT THE POLISH ISSUE IS ACCENTUATING.

2. YOU KNOW ALREADY ABOUT US DISAPPOINTMENT WITH THE ALLIED RESPONSE SO FAR. CERTAINLY THERE ARE CONFLICTING INTERESTS BETWEEN THE TWO SIDES OF THE ATLANTIC BUT I BELIEVE THAT THERE ARE A NUMBER OF THINGS THAT COULD BE DONE AT THIS STAGE THAT WOULD REDUCE THE PRESENT TENSION. PART OF THE DISAPPOINTMENT DERIVES I THINK FROM A LACK OF WIDESPREAD KNOWLEDGE HERE ABOUT WHAT EXACTLY THE ALLIES HAVE DONE AND ARE PREPARED TO DO; THIS TRANSLATES ITSELF INTO DISILLUSIONMENT ON THE PART OF THOSE WHO ARE VERY READY TO FIND FAULT WITH THE EUROPEANS, WHICH IN TURN BECOMES PRESSURE UPON THE US ADMINISTRATION. THE FIRST THING THEREFORE THAT SEEMS TO BE NEEDED IS FOR THE EUROPEANS TO BLOW THEIR OWN TRUMPET ABOUT WHAT THEY ARE DOING OR ARE PREPARED TO DO BECAUSE THE REALITY IS THAT THIS COULD AMOUNT TO JUST AS MUCH OF A BURDEN AS THAT THE AMERICANS THEMSELVES ARE PROBABLY PREPARED TO TAKE ON.

3. THE SECOND THING TO BEAR IN MIND I SUGGEST IS THAT WHILE AN ALLIED PACKAGE WRAPPED UP IN AN EYE-CATCHING BUNDLE IS WHAT IS NEEDED, THERE WOULD BE VALUE, SHOULD IT PROVE IMPOSSIBLE TO PUT THIS TOGETHER, IN HMG COMING OUT CLEARLY WITH ITS OWN STATEMENT OF WHAT IT IS UNDERTAKING.

4. WHETHER THE OUTCOME IS A EUROPEAN PACKAGE OR A UK PACKAGE, I AM SURE THAT IT WOULD BE USEFUL IF THIS COULD BE INCORPORATED IN SOME HIGH-LEVEL STATEMENT AND COMMUNICATION WITHIN THE NEXT FEW DAYS I.E. AFTER THE NAC MEETING ON 3 FEB. THIS SHOULD CERTAINLY HELP TO DAMP DOWN CRITICISM HERE AND FORTIFY THOSE IN THIS COUNTRY WHO ARE RESISTING EXTREME MEASURES.

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5. AS REGARDS AN INVITATION TO HAIG TO STOP OVER IN EUROPE ON HIS WAY BACK FROM THE MIDDLE EAST, I THINK THERE WOULD BE SOMETHING TO BE SAID FOR THIS, BUT I GATHER THAT YOU YOURSELF WILL BE IN THE FAR EAST AT THE TIME. HIS PRESENT PLANS ARE TO LEAVE EGYPT ON THE MORNING OF FRIDAY 29 JANUARY AND FLY DIRECT BACK TO WASHINGTON (HE IS STAYING AT THE ES SALAM HOTEL IN CAIRO). I DO NOT KNOW HIS FULL PROGRAMME BUT HE CERTAINLY HAS TO BE PRESENT HERE WHEN MUBARAK TURNS UP ON 2 FEBRUARY.

6. PLEASE SEE MY 3 IFTS.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 76 OF 27 JANUARY

INFO ROUTINE PARIS ROME WASHINGTON UKREP BRUSSELS UKDEL NATO
MOSCOW WARSAW

YOUR TELNO 34. NON UNDERMINING

1. ACTION TAKEN TODAY WITH AUSWAERTIGES AMT (MATTHIAS AND DASSEL).
2. MATTHIAS WELCOMED OUR BRIEFING BUT SAID THAT IT WAS NOT POSSIBLE TO GIVE A FIRM REACTION. HE HOPED HOWEVER THAT THE GERMANS WOULD BE ABLE TO RESPOND QUICKLY AND IN ANY CASE BEFORE THE NEXT FOLLOW-UP MEETING IN BRUSSELS ON 3 FEBRUARY. MEANWHILE, HE HAD THE FOLLOWING PERSONAL COMMENTS. THE GERMANS ATTACHED GREAT IMPORTANCE TO PRESERVING ALLIANCE UNITY BUT WERE ALSO GREATLY CONCERNED TO PRESERVE THE GAS PIPELINE CONTRACT. PROVIDED THE AMERICANS COULD GIVE SATISFACTION HE FELT SURE THE GERMAN GOVERNMENT FOR ITS PART WOULD AIM TO RESPOND IN KIND. BUT BOTH HE AND DASSEL DOUBTED THAT THE GERMAN GOVERNMENT COULD, IN RELATION TO EXISTING BUSINESS, LIMIT THEMSELVES TO AN EXEMPTION OF THE PIPELINE CONTRACT ONLY. HORMATS REACTION TO OUR PRESENTATION ILLUSTRATED HOW DIFFICULT THE PROBLEMS WERE.
3. ON THE QUESTION OF COLLECTIVE DISCUSSION, MATTHIAS SAID THAT HE FELT SURE THE GERMANS WOULD BE READY TO TAKE PART EITHER IN A SMALL EUROPEAN GROUP, OR WITH THE AMERICANS, OR BOTH. HE THOUGHT HOWEVER THAT CARE WOULD BE NEEDED IN CHOOSING THE PARTICIPANTS. THE ITALIAN POSITION IN REGARD TO THE PIPELINE WAS RATHER DIFFERENT TO THAT OF THE FRG AND HMG. ON THE OTHER HAND IF THEY WERE EXCLUDED THAT WOULD ALSO POSE PROBLEMS.
4. DASSEL SAID HE HAD HEARD RUMOURS TO THE EFFECT THAT SOME AMERICAN FIRMS MIGHT BE EXEMPTED FROM THE EMBARGO. IF THAT WAS TRUE THE PROSPECTS FOR AGREEING A PACKAGE MIGHT BE IMPROVED.
5. MATTHIAS SEEMED TO ACCEPT THAT THE EUROPEANS MIGHT INDEED HAVE TO QUOTE PAY MORE UNQUOTE FOR THE EXEMPTION OF EXISTING BUSINESS THAN THEY HAD HITHERTO CONTEMPLATED.

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TO IMMEDIATE WASHINGTON

TELEGRAM NUMBER 127 OF 27 JANUARY

INFO PRIORITY UKDEL NATO, UKREP BRUSSELS, PARIS, BONN, ROME,
MOSCOW, WARSAW.

YOUR TELNO 226, PARAGRAPH 8

POLAND: NON-UNDERMINING

1. FOLLOWING ARE EXAMPLES OF OBLIGATIONS IN 3(A) AND (C) OF MY TELEGRAM NO 72 TO UKREP BRUSSELS.
2. (I) WHERE AMERICAN COMPUTER COMPANY HAS EXISTING CONTRACT FRUSTRATED BY US MEASURES WE WOULD PREVENT, UNDER OUR EXISTING LEGISLATION, A UK COMPANY REPLACING IT WITH UK-SOURCED EQUIPMENT.
(II) WHERE AMERICAN TRUCK COMPANY HAS EXISTING CONTRACT FOR ASSEMBLY LINE FRUSTRATED BY US MEASURES WE WOULD WIDEN OUR NATIONAL LEGISLATION TO PREVENT A UK COMPANY TAKING ITS PLACE.
(III) WHERE EITHER AMERICAN CONTRACT ABOVE WAS ON THE POINT OF SIGNATURE WE COULD ALSO, SUBJECT TO SATISFACTORY EVIDENCE, TAKE SIMILAR ACTION.

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Par. 3 is interesting.

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TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,
TELEGRAM NUMBER 048 OF 27 JANUARY 1982.
INFO ROUTINE WARSAW, MOSCOW, WASHINGTON,
INFO SAVING PARIS, BONN, UKREP BRUSSELS (ACTIONED), ROME.

NORTH ATLANTIC COUNCIL 27 JANUARY : POLAND.

1. SEVERAL STATEMENTS WERE MADE IN TODAY'S COUNCIL RELATING TO POLAND.
2. VAN USSEL (BELGIAN PRESIDENCY) BRIEFED THE NAC ON THE DECISIONS TAKEN AT THE EC COUNCIL OF MINISTERS ON 25/26 JANUARY ON THE LINES OF PARAS 1, 3 AND 4 OF UKREP BRUSSELS TEL 306. HE ALSO INFORMED THE COUNCIL OF MEASURES ADOPTED ON BASIS OF WORK IN THE POLITICAL COMMITTEE. THIS DREW ON SUMMARY IN PARAS 1 AND 2 OF BRUSSELS TEL 23.
3. MAWHINNEY (CANADIAN CHARGE) REPORTED A MEETING WITH GLEMP ON 25 JANUARY (BEFORE THE JARUZELSKI SPEECH). GLEMP PAID A 6 HOUR VISIT ON 24 JANUARY TO THE CAMP WHERE MEMBERS OF SOLIDARITY'S PRAESIDIUM ARE BEING HELD. GLEMP REPORTED THEM TO BE MORE RADICAL AND DETERMINED THAN EVER AND PREPARED TO ACCEPT NOTHING LESS THAN THEIR UNCONDITIONAL RELEASE. GLEMP ALSO SAW WALESA ON 24 JANUARY AND REPORTED HIM TO BE IN GOOD SPIRITS AND TAKING A MORE MODERATE

THEIR UNCONDITIONAL RELEASE. GLEMP ALSO SAW WALESZA ON 26 JANUARY AND REPORTED HIM TO BE IN GOOD SPIRITS AND TAKING A MORE MODERATE LINE THAN SOME OTHER SOLIDARITY LEADERS, BUT STILL REFUSING TO TALK WITH THE POLISH AUTHORITIES WITHOUT HIS PRAESIDIUM. THE PRIMATE ESTIMATED THE NUMBER OF INTERNEES AT BETWEEN 5100 AND 5200 BUT ADDED THAT A FURTHER 2000 HAD BEEN ARRESTED AND CHARGED WITH VARIOUS OFFENCES. HE CONTINUED TO BELIEVE THAT MOSCOW HAD NOT PLAYED A MAJOR DIRECT ROLE IN THE IMPOSITION OF MARTIAL LAW ALTHOUGH HE ADDED THAT THE SITUATION SUITED MOSCOW WELL. GLEMP SAID THAT IF THE RUSSIANS WERE RUNNING THINGS THE INTERNEES WOULD BE IN SIBERIA AND NOT STILL IN POLAND. GLEMP THOUGHT THAT MARTIAL LAW MIGHT BE LIFTED BY AUGUST TO ENABLE THE POPE TO VISIT POLAND. HE THOUGHT THAT THE PRESENT U S POLICIES WERE HARMFUL TO POLES AND HE DID NOT THINK THAT THEY WOULD CAUSE THE AUTHORITIES TO CHANGE THEIR TACK. EXCEPT FOR SILESIA, GDANSK AND WARSAW, PEOPLE WERE BACK AT WORK ALTHOUGH HE DESCRIBED THE POLISH PEOPLE AS DEPRESSED.

4. WIECK (FRG) AND BENNETT (US) GAVE FIRST ASSESSMENTS OF JARUZELSKI'S SPEECH TO THE SEJM. THESE WERE IN LINE WITH WARSAW TELS 157 AND 161. WIECK DESCRIBED JARUZELSKI'S RESPONSE TO THE THREE WESTERN DEMANDS AS VAGUE AND EVASIVE. HE WAS SURPRISED THAT THERE WAS NO REFERENCE TO THE FUTURE ROLE OF THE PARTY IN THE SPEECH. WIECK WONDERED HOW JARUZELSKI'S VEILED THREATS, THAT POLAND WOULD NOT TAKE PART IN INTERNATIONAL CONFERENCES WHERE SHE WOULD BE PUT IN THE DOCK, WOULD BE PUT INTO EFFECT AT THE UN AND CSCE CONFERENCES. BENNETT SHARED WIECK'S ANALYSIS. ALTHOUGH THE SPEECH WAS A TOUGH ONE HE THOUGHT THAT JARUZELSKI HAD SAID NOTHING SUBSTANTIALLY NEW AND IT OFFERED MINIMAL CONCESSIONS TO THE WEST AND THE POLISH PEOPLE.

5. TORNETTA (ITALY) RELATED SOME INFORMATION RECEIVED VIA THEIR WARSAW EMBASSY YESTERDAY FROM A QUOTE RELIABLE AND AUTHORITATIVE SOURCE UNQUOTE. ACCORDING TO THE SOURCE WALESZA RETAINED HIS POSITION AT THE HEAD OF SOLIDARITY. HIS PRAESIDIUM BELIEVED THAT SOLIDARITY'S POSITION WOULD IMPROVE WITH TIME AND THAT JARUZELSKI WOULD BE FORCED TO REACH A COMPROMISE WITH SOLIDARITY WITHIN THE NEXT FOUR MONTHS. THE NUMBER OF CLANDESTINE PUBLICATIONS CIRCULATING WAS INCREASING. THE SOURCE ALSO REPORTED THAT JAWRONSKI, KURON, MODZELEWSKI AND SOBIERAJ WERE HELD IN BIALOLEKA UNDER WORSENING CONDITIONS.

FCO PLEASE PASS SAVING TO PARIS, BONN, ROME.

SCOTT.



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign
and Commonwealth Affairs
Downing Street
London SW1

27 January 1982

POLISH CRISIS: FACTORY FISHING

Following your minute to me received on the afternoon of 22 January our Private Secretaries agreed that there should be no announcement at NATO on 23 January to the effect that we were definitely prepared to take discriminatory measures against Soviet receiving vessels; and that this issue was governed by Mr Coles' letter of 22 January.

I am glad you agree that we should introduce a system of licensing for receiving vessels on 1 February 1982. I cannot, however, agree to your idea that we should artificially hold up the issue of receiving licences for certain Soviet vessels, because I do not believe that we have at present any grounds for this kind of discrimination. On the assumption that the governing Statutory Instrument is laid before Parliament on 27 January 1982, which I expect to happen, we shall invite applications on that day for licences to receive fish. I do not see that any silliness or infirmity of purpose would be involved in a decision subsequently to recover certain licences after issue. Any decision to discriminate would be announced after the system had come into force and, given the presentational character of the discrimination exercise, I should have thought that a decision to recover would have greater impact than a stalling operation leading eventually to non-issue.

Contracts for the transshipment to Soviet vessels of fish taken from the South-West mackerel fishery and involving UK fishermen and agents are already running, so that there is not question of building up expectations or significantly altering the pattern of trade by the issue of licences. It would in my view be intolerable arbitrarily to

/interfere ...

interfere with legitimate trading which, depending on the course of talks with the allies, might not eventually fall to be interrupted at all or would alternatively be the subject of a decision to discriminate which bit only after the fishery in the South-West had in fact closed. At the present time particularly we do not wish to give the fishing industry the impression that its operations are at the mercy of high politics and to subject them prematurely to disruption of this kind. The industry, including the agents for the Russian vessels, were told on 8 January that use of the licensing system to discriminate by nationality cannot be ruled out, so that those concerned are aware of the conditions under which the licences are issued.

My officials will be sending yours a draft of our Press Notice announcing the new licensing system and I hope I can look to yours to reciprocate in respect of any future announcements involving discrimination.

PETER WALKER



Foreign and Commonwealth Office

London SW1A 2AH

27 January 1982

Rev John

POLAND

1. As you know, a meeting of OD has been arranged for 1730 hours on 28 January. We see its purpose as being to decide on our approach to the issues that must be resolved before the meeting of the North Atlantic Council on 3 February. Ministers may need to look again at them early next week to take final decisions on instructions for the meeting.

2. The political background against which we might take these decisions has changed somewhat. In Poland itself, although there have been some minor relaxations, Jaruzelski's speech on 25 January suggested that there will not be an early move to meet the three points put to him by NATO Foreign Ministers: lifting of Martial Law, release of those detained and resumption of genuine dialogue with the Church and Solidarity. The prospect is for many months of strict discipline, using economic as well as political means of pressure.

3. Meanwhile the American mood continues to harden, and the Foreign and Commonwealth Secretary has today received a further message from Mr Haig calling for 'strong actions by all of us' and urging that the next meeting of the North Atlantic Council on 3 February 'be followed almost immediately by the announcement of national measures in capitals'.

4. The same message from Mr Haig to Lord Carrington and also other contacts in Washington indicate that pressures are mounting on the Administration for further American measures. Our Ambassador believes that the Americans may be considering extending their existing measures to cover a wider range of exports, and also applying them to US subsidiaries overseas as well as to manufacture under license. The Ambassador thinks it unlikely that any exceptions to this general rule would be tolerated.

5. The Lord Privy Seal believes that the atmosphere of crisis in Washington is largely self-induced, that the domestic and the international objectives have become confused and that there is an urgent need for realism and a sense of proportion. We shall be doing all we can in this direction. But Mr Atkins, like Lord Carrington, is also convinced of the need to maintain transatlantic unity, and believes that Britain must continue to play an active and constructive role in promoting solutions to all these problems.

A J Coles Esq
10 Downing Street

/6.



6. Against that background and the forthcoming North Atlantic Council Meeting on 3 February the Lord Privy Seal believes we should be making every effort to reach an accommodation with the Americans over the non-undermining and existing contracts points which could then open the way for ourselves and the other major European powers to take final decisions on a range of measures on 3 February. Our judgement is that we have only a few days in which to seek a basis for compromise. There may well not be time to resolve the complex issues involved. But, at the least, we would wish to engage the Americans in serious discussions in the hope that they would be less inclined to take new measures while there was a prospect of a satisfactory outcome.

7. There are three questions on which decisions will need to be taken, although not all need to be taken at tomorrow's meeting. They are:

- (a) the comparability of our package of measures with the sort of measures our partners have in mind;
- (b) how to handle the problem of existing contracts/ non-undermining;
- (c) how we play our hand at the North Atlantic Council Meeting on 3 February, particularly in view of the link between our package and the problem of non-undermining.

A. Comparability of Measures

8. I attach two charts which indicate the sort of measures indicated by our Alliance partners on 23 January. There are two general points worth making. The first is that, as far as Poland is concerned, the degree and area of agreement is much greater than for the Soviet Union. As far as the Soviet Union is concerned, there is a division between those (like the Italians and ourselves) who would be prepared to consider national economic measures against the Soviet Union and the majority of the Members of the Alliance, who are only prepared to consider political measures. We have, however, made some progress on the Community front and we hope that on 28 January the French will agree to lift their waiting reserve on the Community pressing in OECD to move the Soviet Union from the 'intermediate' to the 'relatively rich' category for export credits. EC Ministers also instructed the Commission to examine ways of restricting Soviet imports. This is likely to prove more contentious and be taken in slower time. We do not envisage any decision being taken before the Foreign Affairs Council on 22/23 February. Finally, on the question of humanitarian assistance to Poland, we were able to persuade our Community partners to agree that the £18 million set aside for this should be used not to continue exports of subsidised food but to fund food and humanitarian assistance through the voluntary agencies.



9. We would not recommend that Ministers should tomorrow take a final view on the balance of our package in relation to contributions from other NATO partners. This is something that we might need to look at again early next week. In the meantime we are, for example, sending instructions to our posts to find out more precisely what our partners' views are on terminating their maritime agreements.

B. Existing Contracts/Non-undermining

10. We do, however, need an early Ministerial decision on how to tackle the problem of existing contracts. Departments are agreed that a major objective should be to preserve the contracts already held by British firms. (So far British companies have firm contracts worth £170 million for the pipeline. Apart from John Brown's contracts for turbines (£6lm) and spares (£4lm) and a £7.8m contract for Rediffusion computers - both companies are dependent on US components - Ruston (£30m), Plenty Metrol (£2lm) and Walter Kidde (£8m) have signed contracts. The final total of business could be even higher.)

11. There is also agreement that the most promising means of achieving this is to reach an understanding with the Americans whereby they would exempt our contracts in exchange for suitable assurances on 'not undermining'. Any such understanding would have to be implemented on a multilateral basis which covered the main industrialised countries including, of course, Japan. With this in mind, officials have put to the Americans an informal suggestion that the Americans should exempt existing European contracts provided that:-

(a) other Western countries should not take up existing contracts from an American company forced by the US measures to withdraw. This would also apply to contracts on the point of being awarded to American firms, subject to satisfactory evidence.

(b) We would consider using national export controls to prevent the re-export of embargoed American goods.

12. This suggestion was made bilaterally in the hope of finding some common ground. The Americans, however, pointed out that the American business community would not accept that existing European contracts should be exempted while theirs were not. In any case our offer applied, in practice, only to existing American prime contracts which were few. They did not think that this very narrow interpretation stood a chance of acceptance in Washington. They did, however, give a favourable initial reaction to our suggestion that they should convene a meeting of the senior officials of the countries mainly concerned at the end of this week. We have subsequently given an account of this exchange, in general terms, to the French, Germans and Italians and have enquired whether they would be willing to attend a meeting proposed by the Americans and also whether they would consider a meeting of Europeans to be useful.



13. There are broadly two ways in which we could now proceed; the LPS invites his colleagues to choose between them.

14. The first would be to find out whether the other Europeans would be prepared to go as far as ourselves (paragraph 11 above). If so, we could consider co-ordinated approaches by Heads of Government to President Reagan in the hope that he would accept a solution based on our existing offer. If he did not, Ministers would have to decide whether to accept the loss of existing contracts (and interpret our commitment not to undermine in an appropriately restrictive manner) or whether to offer further concessions in the hope of reaching agreement.

15. In the Lord Privy Seal's judgement, there is extremely little chance of the Americans accepting our first proposal. We would be asking them to discriminate against their own firms in exchange for minimal concessions. To pursue this proposal would lose valuable time.

16. Instead, he proposes that, in the intensive consultations that can be expected in the coming days, our representatives should be authorised to float, informally and without commitment, the following formula:

'that Western countries should not supply goods for major projects in the Soviet Union in the fields of energy or high technology where these projects would have been wholly or largely dependent for their fulfilment on US technology or equipment for which licenses had been or would be refused.'

17. Mr Atkins accepts that there are difficulties about such a formula. We would be placing a severe restriction on the prospects for British companies in certain fields. But, by doing so, we would be doing a good deal more to secure the very large existing contracts which depend on exemption from the American measures and which, after all, are the bird in hand. He does not believe that such a price would be excessive. (Our total exports to the Soviet Union are less than 1% of all our exports although, of course, some firms are particularly dependent on this market.)

18. We believe that it would be possible to carry out such an undertaking under existing legislation. We understand that we have the power under the Export of Goods (Control) Order to refuse licenses for goods which are now subject to control, and that we can extend the Order without too much difficulty to cover other categories of goods.

19. It may be objected that the formula involves a judgement as to whether projects would indeed have been dependent on American technology. Mr Atkins can see some advantage in this since it

/would



would be open to us to apply our own interpretation. (We would make it clear that any contracts would have to be considered on an ad hoc basis.)

20. The Lord Privy Seal recognises, of course, that our European partners may not be able to accept a formula of this kind, particularly as it could well threaten the second stage of the pipeline. However, he thinks it essential that we should make every effort to search for a compromise. Failure to achieve it could well result, not only in damage to our commercial interests, but in very serious damage to the Alliance.

Linkage

21. The Lord Privy Seal does not believe that Ministers need to take a decision on this tomorrow. They may wish to leave final decisions on how we play our hand on 3 February in the North Atlantic Council until early next week when the position on existing contracts/non-undermining may be clearer.

22. I am sending copies to the Private Secretaries of Members of OD, to Robert Lawson (MAFF), Julian West (Energy), David Clark (DHSS), David Edmonds (Environment) and David Wright (Cabinet Office).

Yours ever

Michael Arthur

M A Arthur
PS/Lord Privy Seal

	CSCE Madrid Meeting	Raise Poland in UN - Human Rights Commission & promote visit to Poland by Sec-Gen of ILO	Restrictions on Polish diplomats	Reduction of scientific and technical activities	Demarches and Visits	Public Information	Refugees	Economic Measures/Credit/Rescheduling (1)	Day of Solidarity with Polish people
FRG	Foreign Minister - will attend opening session (and will speak about Poland)	In favour		Possible restrictions on some 'public meetings' (unspecified)	Intends to undertake demarches in all E. European, NRA and some Third World Countries	Increasing broadcasting to Poland and Soviet Union	About 200,000 Polish citizens in FRG, 15,000 applications for asylum	11 Jan Declaration (NATO) Suspended credit	Schmidt will make statement on radio. Also be Union initiated activity
ITALY	Ditto (and will speak about Poland)	In favour. Also considering a national initiative on human rights issue in Poland	Considering restrictions	Postponed meeting on cultural protocol				Halted Credit	
NETHERLANDS	Ditto - will attend meeting on 12 February	In favour	Considering restrictions					Should be effective but reversible economic measures. No exceptions clause in COCOM might apply to Poland	
NORWAY	Ditto - will attend opening session				Demarches made in Moscow and other East European capitals		Considering taking refugees from Austria	Outstanding Government credit lines would not be utilised. Request for further credits has been rejected	Non-governmental rallies being arranged. PM will appear on TV
TURKEY	Ditto - will attend opening session		Already has firm restrictions					Not applicable. Turkey in debt to Poland for \$100 m.	
LUXEMBOURG	Ditto - will attend meeting on 12 February	In favour	Freeze already exists on size of diplomatic missions. Movement very difficult because of Luxembourg's size.	'Discourages major cultural events'.			Intends to take 75 from Austria in addition to any direct intake	11 Jan Declaration	
BELGIUM	Ditto - will attend opening session	In favour	Ditto - difficult to impose restrictions because of size of Belgium					11 Jan Declaration	
DENMARK	Ditto (and will speak about Poland)		Does not intend to impose restrictions. (Danish diplomatic representation in Warsaw downgraded)					Rejected request to extend 1981 credit line	Denmark having Solidarity Day on 2 Jan. PM to appear on TV
CANADA	Probably Foreign Minister (and will speak about Poland)	Probably in favour	Considering restrictions	Small number of student exchanges likely to continue		Increasing broadcasting to Poland and Soviet Union	Assisting refugees in Austria		Unspecified participation
FRANCE	'Very senior level'	In favour; also in favour of national declarations in the human rights commission	Introducing provisional restrictions on military attachés and some on visas		Plans demarches in CSCE Capitals	Increasing broadcasting to Poland and Soviet Union	Already given assistance and work permits to Polish refugees now in France	Medical and food supplies sent through NGOs. Suspended credit	
ICELAND	Undecided							Pleaded special position as regards trade with Poland	PM will participate
PORTUGAL	Unknown		May limit size of Polish diplomatic mission and movements		Planning demarche in Moscow. Poland raised with Hungarian Foreign Minister			11 January Declaration	PM will appear on TV
GREECE	Unknown								
UK	Secretary of State will speak on 12 February	In cautious favour	Prepared to restrict			Increased BBC Polish service broadcasts		New credit other than legally committed contracts in abeyance	PM prepared to make a statement
US								1. Halt to new Eximbank credit insurance 2. Suspension of Polish Civil aviation landing rights. 3. Suspension of US Government shipments of agricultural and dairy products until distribution to Polish people guaranteed. 4. Suspension of Polish fishing rights in US waters. 5. COCOM: tighter rules	Reagan to appear on TV

POLAND

(1) Although some delegations did not specifically refer to suspension of credit, it is assumed that with exception of Greece all will abide by 11 January Declaration

	Restrictions on Soviet Diplomats	Scientific/Technical Co-operation	Other Political Measures	Maritime/Fisheries/Air Agreements	COCUM	credit	Soviet Exports	Non-undermining	Other economic matters.
FRG	Strict enforcement of existing controls; no increase in diplomats; stricter visa policy		No Federal or Land Ministers to visit USSR; no parliamentary contacts; no Soviet Consulate in Munich; public meetings to be restricted	Prepared to consider restricting activities under maritime agreement.		Could discuss in OECD.		Should not apply to existing contracts.	
Italy	Travel restricted to fewer zones;	Reduction of cultural activities; greater control over scholarships. Agriculture meeting cancelled.	Limitation of visits by Soviet research vessels; longer notice required.	Considering action on air and maritime agreements on basis of unanimity.		Prepared to consider restriction: either up-grading or reduction of repayment period. Need effective agreement.	Wd consider action in Community against non-essential Soviet exports, <u>not</u> raw materials.		
Netherlands				Maritime negotiations on possible area for concerted action.		A possible area for concerted OECD action.			
Portugal	Studying ways of controlling numbers and movement.	Cultural meeting on 15/1 cancelled.		Talks on fisheries agreement suspended since Afghanistan.	Ready to consider further controls.				
Canada	<u>No</u> further restrictions.	Scientific activities to remain at reduced post-Afghanistan level (but no further reduction)							
Turkey	<u>No</u> further restrictions.				Very little Turkish trade with USSR.				
Luxembourg	<u>No</u> measures planned.	Continue to discourage major cultural events and restriction of social contacts.							
Belgium	<u>No</u> measures planned.	Post-Afghanistan reduction to continue, but <u>no</u> further measures.				Ready to consider OECD up-grading.	Wd take constructive line in Community on non-essential exports.		Prepared to consider action on Joint Commission
Denmark	<u>No</u> measures planned.								
France	Restriction on Military Attachés and some restrictions on visas.					Category up-grading wd. require general agreement to be effective.		Needed more information on criteria.	Does not intend changing preferential bilateral trade/economic agreements.
UK	Reduce free travel area from 35 to <u>25</u> miles.	Reduce activity under all 4 bilateral exchange agreements; wd consider termination. One Review meeting already cancelled.		Wd terminate maritime agreement in concert with others. Wd. consider restrictions on fish factories. No action on Air Services.		Would be prepared to up-grade.	Would support restrictions by QRs or TRs.	Need agreed and acceptable definition.	
Iceland									No economic measures envisaged.
Norway			No measures planned.						No measures planned.
Greece			No measures planned.						No measures planned.
USSR	Let Purchasing Commission to be closed.	Bilateral exchanges: non-renewal of scientific, technical or similar exchange agreements.		All Aeroflot services to US suspended. Maritime Agreement: negotiations on new agreement postponed.	US export licenses for high technology equipment: issue and renewal suspended.	Support regrading		Oil and gas equipment (including pipelayers) export licence system extended. Suspension of issue of licences.	Long-term Grains Agreement negotiations postponed.

SOVIET UNION



RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

27 January 1982

Dear John,

*h-a.
M 28.
1*

Day of Solidarity with the Polish people

As you know the Prime Minister has agreed to record a short message for the Day of Solidarity which the US International Communications Agency is organising on 30 January. I enclose a draft message which she might use on that occasion.

Sir Michael Palliser has explained to the American Ambassador that it is for the US networks or the US Embassy to get in touch with No 10 direct about the necessary recording arrangements. The message is therefore drafted as a response to a direct request from the organisers.

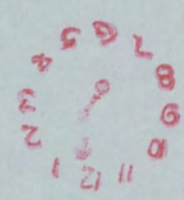
*yours ever
Roderic Lyne*

(R M J Lyne)
Private Secretary

A J Coles Esq
10 Downing St

RESTRICTED

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



127 JAN 1982

DRAFT MESSAGE FROM THE PRIME MINISTER
ON POLAND

DSR 11C

I have been invited to contribute a message on this Day of Solidarity with the Polish people. I am pleased and proud to do so.

Poland has a special place in British history and in British hearts. My generation will never forget that Poland was Britain's ally from first to last in the Second World War. Polish squadrons flew with ours in the Battle of Britain. Polish infantry fought with ours at Monte Cassino in Italy. Polish sailors died with ours to keep open the Atlantic life line from America. They were an example and an inspiration.

And they are an example and an inspiration today. The Renewal which began in Poland a year and half ago not only kindled hope for the people of that country and all over Eastern Europe: it reminded us in the West of the value of freedom. It told us of the struggle that others must undertake to win the liberties which we take for granted. And as it warmed our hearts to see this, it sent a chill of fear through those who seek to hold men in tyranny. For it proved again that the human spirit will never accept repression: that man will always strive for freedom whatever the odds.

Let us remember this today. The flames of freedom in Poland have been beaten down, but they have not been extinguished. The whole of Polish history shows that Poles will never renounce the struggle to decide their own future in their own way.

We know that they will succeed. We know that sooner or later their oppressors will understand that they cannot impose their will upon a people who ask only 'Let Poland be Poland'.

h28

*The President
of the European Parliament*

26. -1- 1982

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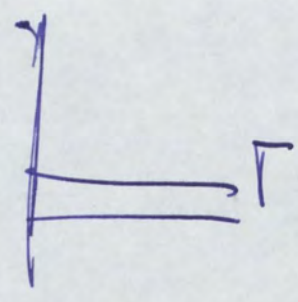
Dear Prime Minister,

I have the honour to inform you that Messrs. MOORHOUSE, TYRRELL and FERGUSSON have tabled a motion for a resolution for entry in the register pursuant to Rule 49 of the Rules of Procedure of the European Parliament "on declaring a day of solidarity with the Polish people on 30 January 1982" (doc. 1-935/81).

Pursuant to Rule 49 (5) of Parliament's Rules of Procedure, I enclose the text of this resolution which has been signed by more than half the Members of the European Parliament on 21 January 1982 .

Yours sincerely,

Enclosure.



The Rt. Hon.
Mrs. Margaret THATCHER, M.P.
Prime Minister
10, Downing Street
LONDON

M.R.P. Dankert

EUROPEAN PARLIAMENT

Working Documents

1981 - 1982

14 January 1982

DOCUMENT 1-935/81

MOTION FOR A RESOLUTION

tabled by Mr MOORHOUSE, Mr TYRRELL and
Mr FERGUSSON

for entry in the register
pursuant to Rule 49 of the Rules of Procedure

on declaring a day of solidarity with the
Polish people on 30 January 1982

The European Parliament,

- reiterating its condemnation of the 'state of war' declared in Poland, the ensuing denial of fundamental human rights in Poland, and the consequent suffering of the Polish people, expressed by the House on 18 December 1981 in the urgent resolution on the situation in Poland,

- reaffirming its deepest concern about the continuing repressive measures being taken in Poland,

1. Instructs its President to declare 30 January 1982 as a day of solidarity with the Polish people in order to express common hope and support.

2. Instructs its President to forward this resolution to the governments of the ten Member States of the Community and to the appropriate representative of each of the ten national parliaments with a view to inviting them to join the European Parliament in making this day a Community-wide day of support.

CONFIDENTIAL

GRS230

CONFIDENTIAL

FM UKMIS GENEVA 261655Z JAN 82

TO IMMEDIATE FCO

TELNO 26 OF 26 JANUARY 1982

INFO PRIORITY WARSAW, PRIORITY UKREP BRUSSELS, PRIORITY UKDEL
NATO BRUSSELS, ROUTINE IKMIS NEW YORK AND WASHINGTON

Red cross
ICRC AND POLAND

1. HAY, PRESIDENT ICRC, TOLD A GATHERING OF PERMANENT REPRESENTATIVES TODAY (26 JANUARY) MAINLY DEVOTED TO ICRC'S 1982 BUDGET AND THE MANILA CONFERENCE (REPORT FOLLOWS BY BAG) THAT THE ICRC HAVE RECEIVED PERMISSION FROM THE POLISH AUTHORITIES TO VISIT DETAINEES AND THAT THE VISITS MAY TAKE PLACE UNDER ICRC CONDITIONS (IE ACCESS TO ALL DETAINEES ON A CONTINUING BASIS WITH NO WITNESSES PRESENT). THE VISITS COMMENCED ON SATURDAY 23 JANUARY. SO FAR 500 DETAINEES HAVE BEEN SEEN AT TWO CAMPS NEAR WARSAW. THE ICRC HAVE HEARD OF A TOTAL OF 49 CAMPS BUT HAVE NO DIRECT KNOWLEDGE OF NUMBERS OF DETAINEES. THEY ARE INCREASING THEIR STAFF IN WARSAW TO UNDERTAKE THE TASK.
2. HAY EMPHASISED THAT THIS INFORMATION WAS CONFIDENTIAL UNTIL THEY MADE IT PUBLIC. THEY HOPE TO DO THIS AT A PRESS CONFERENCE IN WARSAW SHORTLY. IF THIS PROVES IMPOSSIBLE THEY WILL MAKE AN ANNOUNCEMENT IN GENEVA.
4. HOCKE (DIRECTOR OF OPERATIONS, ICRC) THANKED GOVERNMENTS FOR THEIR SUPPORT OF ICRC'S ATTEMPTS TO OBTAIN ACCESS TO THE DETAINEES.

MARSHALL

POLAND SPECIAL
STANDARD

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**International
Communication
Agency**

Embassy of the United States of America
55/56 Upper Brook Street
London W1A 2LH

Tel. 01-499 9000

Tuesday, January 26th, 1982

SOLIDARITY DAY

January 30th, 1982

- - - -

Note: Given the widespread interest in, and media comment on the forthcoming 90-minute TV production, "Let Poland Be Poland", scheduled for international viewing on January 31st, the following is a segment by segment run-down of the film:

- SEGMENT 1 -- FILM TAPE SEGMENTS OF POLAND AND CHARLTON HESTON'S OPENING REMARKS. HESTON INTRODUCES A POLISH CHOIR.
- SEGMENT 2 -- THE POLISH CHOIR SINGS JAN PIETZRAK'S MOVING SONG "LET POLAND BE POLAND."
- SEGMENT 3 -- CHARLTON HESTON INTRODUCES FORMER POLISH AMBASSADOR ROMUALD SPASOWSKI.
- SEGMENT 4 -- AMBASSADOR SPASOWSKI NARRATES THIS PORTION OF THE PROGRAM WHICH DEALS WITH THE HISTORY OF THE POLISH PEOPLE AND THEIR CENTURIES OLD STRUGGLE FOR INDEPENDENCE. THE NARRATION WILL BE ACCOMPANIED BY THE SHOWING OF APPROPRIATE VISUALS.
- SEGMENT 5 -- GLENDA JACKSON STATEMENT.
- SEGMENT 6 -- GLENDA JACKSON INTRODUCTION TO RALLIES.
- SEGMENT 7, 8, 9 -- FOOTAGE OF RALLIES IN THE UNITED STATES, EUROPE, AND ELSEWHERE.
- SEGMENT 10 -- ANNOUNCER INTRODUCES WORLD LEADERS.
- SEGMENT 11 AND 12 -- STATEMENTS BY WORLD LEADERS.
- SEGMENT 13 -- SWEDISH ACTOR MAX VON SYDOW NARRATES THE HISTORY OF THE SOLIDARITY UNION. THE NARRATION IS ACCOMPANIED BY APPROPRIATE VISUALS.
- SEGMENT 14 -- MAESTRO ROSTROPOVICH WILL MAKE A STATEMENT ABOUT THE NEED FOR FREEDOM OF ARTISTIC EXPRESSION.
- SEGMENT 15 -- MAESTRO ROSTROPOVICH'S STATEMENT WILL BE FOLLOWED BY MARTIAL LAW VISUALS. BACKGROUND MUSIC WILL BE SAMUEL BARBER'S "ADAGIO FOR STRINGS." THERE WILL BE VISUALS OF ROSTROPOVICH ON THE SOUTH LAWN OF THE CAPITOL CONDUCTING THE NATIONAL SYMPHONY PLAYING THE BARBER COMPOSITION.
- SEGMENT 16 -- ANNOUNCER INTRODUCES WORLD LEADERS.
- SEGMENT 17 -- PRESIDENT REAGAN'S STATEMENT.
- SEGMENT 18 -- STATEMENT BY WORLD LEADER.
- SEGMENT 19 -- GLENDA JACKSON INTRODUCES FOOTAGE OF RALLIES.

- SEGMENT 20, 21 AND 22 -- FOOTAGE OF RALLIES.
- SEGMENT 23 -- BOB HOPE WILL TALK ABOUT THE POTENTIAL AUDIENCE FOR THE PROGRAM AND WILL SAY THAT DESPITE JAMMING, PEOPLES OF CCOUNTRIES DENIED ACCESS TO A FREE PRESS WILL LEARN THAT THE WORLD STANDS BY THE POLISH PEOPLE. HE WILL ALSO DESCRIBE HOW JAMMING WORKS.
- SEGMENT 24 -- STATEMENT BY JOANNE WOODWARD.
- SEGMENT 25 -- ANNOUNCER INTRODUCES WORLD LEADERS.
- SEGMENT 26, 27, 28 -- STATEMENTS BY WORLD LEADERS.
- SEGMENT 29 -- MAX VON SYDOW INTRODUCES A POLISH CULTURAL SEGMENT.
- SEGMENT 30 -- THE FAMOUS POLISH JAZZ PIANIST ADAM MACKOWITZ WILL PLAY ONE OF HIS COMPOSITIONS.
- SEGMENT 31 -- NOBEL LAUREATE CZEWSLAW MIICZ WILL READ HIS POEM ON THE 1970 GDANSK UPRISING AND MAX VON SYDOW WILL SPEAK ABOUT CULTURAL REPRESSION IN POLAND TODAY.
- SEGMENT 32 -- THE POLISH PAINTER JAN SAWKA WILL TELL THE STORY OF SOLIDARITY'S "POSTER OF HOPE." HE WILL ALSO SHOW ANOTHER POSTER HE HAS DESIGNED WHICH DEPICTS IN SOMBER TONES THE FATE OF SOLIDARITY UNDER MARTIAL LAW.
- SEGMENT 33 -- KIRK DOUGLAS WILL INTRODUCE A FILM SEGMENT OF HIS VISIT TO THE FAMOUS LODZ FILM SCHOOL, THE CRADLE OF SO MANY OF POLAND'S TALENTED FILM DIRECTORS. HE WILL RECALL THAT ANDRZEJ WAJDA, POLAND'S LEADING FILM DIRECTOR, WAS TEACHING AT THE SCHOOL AT THE TIME OF DOUGLAS' VISIT. EXCERPTS FROM WAJDA'S MOST RECENT FILM, "MAN OF IRON", IN WHICH SOLIDARITY LEADER LECH WALESZA MADE A BRIEF APPEARANCE WILL BE SHOWN. DOUGLAS WILL SPECULATE ON WAJDA'S PRESENT WHEREABOUTS WHICH ARE UNKNOWN.
- SEGMENT 34 -- GLENDA JACKSON INTRODUCES RALLIES.
- SEGMENT 35, 36, 37 -- FOOTAGE FROM RALLIES.
- SEGMENT 38 -- ANNOUNCER INTRODUCES WORLD LEADERS.
- SEGMENT 39 AND 40 -- STATEMENTS BY WORLD LEADERS.
- SEGMENT 41 AND 42 -- FRANK SINATRA WILL MAKE A BRIEF STATEMENT. HE WILL RECALL THE SONG "EVER HOMEWARD," WHICH HE SANG YEARS AGO AND WHICH IS BASED ON A POLISH FOLKSONG. THE SONG WILL BE PLAYED WHILE POLISH LANDSCAPES ARE SHOWN IN THE BACKGROUND.
- SEGMENT 43 -- FOOTAGE OF POPE JOHN PAUL II'S VISIT TO POLAND WILL BE SHOWN. THIS SEGMENT WILL ALSO INCLUDE EXCERPTS FROM ONE OF THE POPE'S STATEMENTS ON POLAND DELIVERED TO THE FAITHFUL IN SAINT PETER'S SQUARE.
- SEGMENT 44 -- GLENDA JACKSON'S INTRODUCTION TO RALLIES.
- SEGMENT 45, 46, 47 -- FOOTAGE OF RALLIES.
- SEGMENT 48 -- ORSON WELLES WILL READ REFLECTIONS ON FREEDOM FROM THOMAS FAINE, PERICLES AND JOHN DENNE.
- SEGMENT 49 -- GLENDA JACKSON INTRODUCES RALLIES.
- SEGMENT 50, 51, 52 -- FOOTAGE OF RALLIES.
- SEGMENT 53 AND 54 -- A POSSIBLE STATEMENT BY BARBARA STREISAND WHO THEN SINGS "LET ME LAMENT," A SONG BY HANDEL ABOUT LOST FREEDOM.
- SEGMENT 55 -- ANNOUNCER INTRODUCES WORLD LEADERS.
- SEGMENT 56 AND 57 -- STATEMENTS BY WORLD LEADERS.
- SEGMENT 58 AND 59 -- GLENDA JACKSON AND MAX VON SYDOW'S CLOSING COMMENTS ACCOMPANIED BY A MONTAGE AND VOICES SINGING "LET POLAND BE POLAND."

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TELEGRAM NUMBER 055 OF 26TH JANUARY

FOR INFO ROUTINE WASHINGTON UKDEL NATO AND WARSAW

FOR INFO SAVING PARIS AND BONN.

WASHINGTON TELNO 206: POLAND.

1. SIR N HENDERSON HAS INDICATED WHERE THE US GOVERNMENT IS HEADING. IT MAY BE USEFUL (IN AMPLIFICATION OF MY LETTER OF 21 JANUARY TO FERGUSSON), TO ASSESS SOVIET EXPECTATIONS AND THE IMPLICATIONS FOR WESTERN POLICY.

2. I START FROM THE ASSUMPTION THAT JARUZELSKI'S ACTION WAS TAKEN IN RESPONSE TO SOVIET PRESSURE AND WITH SOME SOVIET COMPLICITY. IT REPRESENTED IN SOVIET EYES A VITALLY NECESSARY REVERSAL OF A TREND IN POLAND WHICH THE SOVIET UNION HAD BEEN DENOUNCING FOR A YEAR AND A HALF AND WHICH HAD COME PERILOUSLY CLOSE TO CHALLENGING THE ESSENTIALS OF SOVIET CONTROL OVER POLAND. THROUGHOUT 1981, THERE WAS ROOM FOR DOUBT ABOUT THE POSSIBILITY OF DIRECT SOVIET INTERVENTION AND, GIVEN THAT THE SOVIET ARMY HAS NOT BEEN COMMITTED, THERE IS STILL SOME ROOM FOR FLEXIBILITY IN FUTURE SOVIET POLICY, FOR BETTER AND FOR WORSE. ONE SOVIET (AND PRESUMABLY POLISH GOVERNMENT) OBJECTIVE MUST, HOWEVER, BE FIRM: TO ENSURE THAT THERE IS NO RETURN TO THE UNCONTROLLED OPPOSITION TO THE POLISH GOVERNMENT WHICH EXISTED PRIOR TO 13 DECEMBER. THIS MUST MAKE IT PECULIARLY DIFFICULT TO ENVISAGE ANY RELAXATION WHILE THE INTERNAL SITUATION IN POLAND REMAINS SO TENSE (WARSAW TELNO 150). THE SOVIET UNION WOULD LIKE TO SEE THE COUNTRY FUNCTIONING AGAIN, BUT IF THE PRICE FOR THAT IS A RETURN TO PRE-13 DECEMBER CONDITIONS THEY WILL OPT FIRMLY FOR KEEPING A SULLEN POPULATION DOWN BY FORCE AND JARUZELSKI WILL PRESUMABLY BY NOW BE SO COMMITTED THAT HE WILL HAVE NO OPTION BUT TO DO SO. THE RUSSIANS WILL NOT WELCOME THE BURDEN WHICH POLAND IN THIS STATE WILL PLACE UPON THEMSELVES AND UPON CMEA AS A WHOLE, OR THE AGGRAVATION OF THIS BURDEN BY WESTERN COUNTER MEASURES, BUT THEY WILL COUNT BOTH THESE AS A LESSER EVIL THAN RENEWED LOSS OF CONTROL IN POLAND. THEIR HOPE WILL BE THAT THE REALITIES OF DAY-TO-DAY LIFE WILL IN THE END MAKE IT POSSIBLE TO DRIVE THE POLES BACK TO SOME SEMBLANCE OF NORMAL ECONOMIC ACTIVITY AND THAT WESTERN DISUNITY WILL ENSURE THAT ECONOMIC COUNTER MEASURES ARE NOT PUSHED TO THE POINT AT WHICH THEY WOULD CAUSE SERIOUS DAMAGE. V THEY MUST IN ANY CASE ASSESS THAT SUCH DAMAGE CAN A HARDLY BEGIN TO COMPARE WITH THE DAMAGE WHICH WOULD BE REPRESENTED BY THE COLLAPSE OF THE SOVIET POSITION IN POLAND.

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3. I DOUBT WHETHER THE RUSSIANS ARE LOOKING BEYOND THE DAY TO DAY SITUATION, EXCEPT PERHAPS SO FAR AS RESTORING PARTY AUTHORITY IS CONCERNED BUT TO THE EXTENT THAT THEY HAVE A LONGER TERM OBJECTIVE IT MIGHT AT ITS MOST OPTIMISTIC BE TO WORK TOWARDS SOMETHING LIKE A HUNGARIAN ROLE FOR POLAND IN THE LONGER RUN, WITH THE POLES TAKING THEIR LATITUDE IN ECONOMIC RATHER THAN POLITICAL MATTERS. FOR THE PRESENT WE CAN EXPECT THEM TO MAINTAIN ENOUGH SUPPLIES TO KEEP THE POLISH ECONOMY FROM TOTAL COLLAPSE. THEY WILL GIVE A MINIMUM OF CREDIT, SO LONG AS THERE IS THE CHANCE OF AVOIDING FORMAL DEFAULT AND PERHAPS INDUCING THE WEST TO PRODUCE MORE. BUT THE THREAT OF A FORMAL POLISH DEFAULT WILL NOT AFFECT THEIR POLITICAL OBJECTIVE. IF THE POLES ARE HUNGRY AND WRETCHED THEY WILL REGARD THIS AS A WELL DESERVED LESSON. IF NECESSARY, THEY WILL BE PREPARED TO LET MATTERS GO ON LIKE THIS FOR SOME YEARS, WHILE THEY WAIT HOPEFULL FOR A RENEWED ACCEPTANCE BY THE POLES AND BY THE WEST OF THE LIMITS TO POLITICAL EXPRESSION IN EASTERN EUROPE. THIS BLEAK PROSPECT IS REINFORCED RATHER THAN WEAKENED BY SOVIET CONCERN AT THE EROSION OF ORTHODOXY IN THE COMMUNIST WORLD (MY TELNO 050).

4. SOVIET POLICY SO FAR HAS BEEN DETERMINED ESSENTIALLY BY THE SITUATION IN POLAND AND THE PRACTICAL POSSIBILITIES, BUT WESTERN POLICY HAS NOT BEEN IRRELEVANT AND THE COURSE THE WEST HAS PURSUED SINCE THE BEGINNING OF THE POLISH CRISIS IN THE SUMMER OF 1980 HAS PROBABLY HAD SOME EFFECT, FIRST IN DELAYING REPRESSION OF SOLIDARITY, THEN IN HELPING TO INSURE THAT THE SOVIET UNION ACTED INDIRECTLY RATHER THAN DIRECTLY AND FINALLY IN ESTABLISHING SOMETHING OF A LEVER FOR THE FUTURE EASING OF THE REPRESSION. IT SEEMS SCARCELY POSSIBLE THAT THE SITUATION IN POLAND ITSELF WILL DEVELOP OTHER THAN AS A CONTINUING TRIAL OF WILL BETWEEN THE PEOPLE AND THE GOVERNMENT, WITH OCCASIONAL CRISES, AT EACH OF WHICH THE SOVIET UNION WILL BE PRESSING FOR STRICT ORTHODOXY. NO WESTERN MEASURES COULD HITHERTO, NOR WILL THEY IN FUTURE, MAKE THE SOVIET UNION ACQUIECSE IN THE ESTABLISHMENT OF EFFECTIVE POLITICAL FREEDOM IN POLAND, AND IT WOULD BE A PITY IF WE NOW FALL INTO DISARRAY THROUGH MISJUDGING THE PURPOSE AND THE LIKELY EFFECT OF OUR MEASURES. WE SHOULD PRESUMABLY AIM AT LEAST TO KEEP THE WILL FOR POLITICAL LIBERTY ALIVE IN POLAND (EVEN IF IT CANNOT YET BE REALISED), TO EASE THE LOT OF THE POLISH PEOPLE TO THE EXTENT WE CAN AND TO IMPEDE SOVIET IMPERIAL POLICY ELSEWHERE. WE CAN REASONABLY EXPECT THAT THE BURDEN OF SUSTAINING POLAND IN THE ABSENCE OF NEW WESTERN CREDITS WILL TILT THE BALANCE OF

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SOVIET OPINION SLIGHTLY TOWARDS THE KIND OF CONCESSIONS WHICH MIGHT IMPROVE POLISH OUTPUT AND THAT IF WE CAN GENERATE A CONTINUING FEAR OF NEW ECONOMIC COUNTER MEASURES THIS MAY RESTRAIN THE SOVIET UNION BOTH FROM FURTHER REPRESSION AND FROM EXPENSIVE ACTION ELSEWHERE. IT COULD ALSO INCREASE ANY MARGIN OF MANOEUVRE JARUZELSKI MAY HAVE, OR WISH TO EXERCISE, IN RELATION TO THE USSR. THE EFFECT MAY BE ONLY MARGINAL EITHER WAY, BUT IT WILL BE ENHANCED BY THE SOVIET UNION'S CURRENT ECONOMIC DIFFICULTIES. IF WE ARE IN FOR A LONG STRUGGLE THERE IS MUCH TO BE SAID FOR MEASURES WHICH ARE NECESSARILY SLOW IN GESTATION AND THUS KEEP ALIVE THE POSSIBILITY OF PRESSURE BECOMING GREATER, RATHER THAN A MAXIMUM INITIAL EFFECT - AS IN THE AFGHANISTAN CASE - WHICH FADES AWAY WITHOUT ANY CHANGE FOR THE BETTER IN THE SITUATION WHICH PRODUCED IT.

5. SO MUCH FOR POLAND. SO FAR AS SOVIET POLICY TOWARDS THE UNITED STATES IS CONCERNED, ITS PARAMETERS ARE NOW FAIRLY WELL ESTABLISHED, BUT I WOULD PREFER TO DEFER COMMENT UNTIL WE HAVE HAD TIME TO ASSESS THE HAIG-GROMYKO MEETING.

F C O PLEASE PASS SAVING ADDRESSEES

KEEBLE

(REPEATED AS REQUESTED)

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TO IMMEDIATE WASHINGTON
TELEGRAM NUMBER 114 OF 26 JANUARY
AND TO IMMEDIATE DESKBY 261300Z BONN
INFO IMMEDIATE UKDEL NATO, PARIS, UKREP BRUSSELS PRIORITY MOSCOW,
WARSAW, ROME, ROUTINE, OTHER NATO POSTS
YOUR TELNO 206 : POLAND, THE USA AND THE ALLIANCE

1. WE WERE MOST GRATEFUL FOR THIS ANALYSIS AND YOUR OTHER RECENT REPORTS. OUR PRESENT VIEWS ON VARIOUS US ATTITUDES DESCRIBED IN YOUR TELEGRAM ARE BELOW. THERE ARE ALSO SOME RELEVANT POINTS IN MIFT, WHICH CONTAINS A SELECTIVE COMMENTARY ON KISSINGER'S TWO ARTICLES. SIR J TAYLOR MAY DRAW ON BOTH TELEGRAMS IN HIS CONVERSATION WITH VON STADEN TODAY. SITUATION IN POLAND
2. THIS MAY NOT ACTUALLY BE DETERIORATING IN TERMS OF VIOLENCE. BUT, AS MORE NEWS COMES IN ABOUT THE SYSTEMATIC REPRESSION OF SOLIDARITY, THE CHANCES THAT JARUZELSKI CAN LIVE UP TO HIS ASSURANCES MUST DIMINISH. THE IMPRESSION IS GROWING THAT PASSIVE RESISTANCE AND POPULAR RESENTMENT ARE WIDESPREAD AND WILL NOT DIE DOWN QUICKLY. JARUZELSKI'S SPEECH OF 25 JANUARY IMPLIES THAT ANY EARLY CHANGES IN THE MEANS OF REPRESSION ARE LIKELY TO BE COSMETIC OR MINOR: THE ESSENTIAL MACHINERY WILL STAY IN PLACE FOR MONTHS. WHILE THE CLAMPDOWN HAS SO FAR GONE WELL FOR JARUZELSKI AND THE RUSSIANS, AND MAY CONTINUE TO DO SO, THE POSSIBILITY OF A BREAKDOWN IN PUBLIC ORDER AND THEN SOVIET INTERVENTION IS NOT EXCLUDED.
3. YET POLAND IN 1982 IS NOT CZECHOSLOVAKIA IN 1968. NATIONAL TEMPERAMENT AND THE CONTINUED ACTIVITY OF THE CHURCH ARE THE PRINCIPAL FACTORS WHICH ENSURE THIS. AND THE STRENGTH OF PUBLIC FEELING MAY ENSURE THAT THE TRADES UNIONS IN POLAND MAY EMERGE FROM MARTIAL LAW WITH VESTIGES OF AN INDEPENDENT STATUS, ALBEIT ONES WHICH MAKE THEM CLOSER TO OFFICIAL TRADES UNIONS

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ELSEWHERE IN THE WARSAW PACT THAN TO SOLIDARITY IN ITS HEYDAY.

ALLIED CONSULTATIONS

4. THERE HAS BEEN A GREAT DEAL OF TRANSATLANTIC CONTACT ABOUT THE CRISIS, MOST OF IT INITIATED BY THE US, AND WE HAVE BEEN VERY GRATEFUL FOR THIS. BUT THE AMERICANS HAVE NOT CONSULTED THE EUROPEANS PROPERLY ABOUT THE BIGGEST STEPS, ABOVE ALL THE US MEASURES AGAINST THE SOVIET UNION. MESSAGES FROM WASHINGTON HAVE SOMETIMES NOT MENTIONED WHAT WAS ABOUT TO HAPPEN, EG MOST RECENTLY THE REDUCTION FROM TWO DAYS TO ONE OF HAIG'S MEETING WITH GROMYKO AND THE DECISION NOT TO PROPOSE AT THAT MEETING A DATE TO BEGIN THE START TALKS. ON THE OTHER HAND, THE AMERICANS HAVE BEEN FLEXIBLE IN THE DISCUSSION OF EUROPEAN MEASURES TOWARDS THE SOVIET UNION: BEFORE THE NATO MEETINGS OF 11 AND 23 JANUARY, THEY WERE ASKING FOR MUCH MORE THAN, IN THE EVENT, THEY SETTLED FOR. WHILE THIS HAS BEEN HELPFUL TO US, WE CANNOT BUT WONDER WHETHER IT COULD WEAKEN HAIG IN THE POLICY DEBATE IN WASHINGTON.

PURPOSES OF WESTERN MEASURES

5. FOR THE UK, THE OVERRIDING PURPOSE IN CONSIDERING MEASURES IS TO PRESERVE AN ADEQUATE DEGREE OF WESTERN UNITY AND PREVENT THE CRISIS FACING THE SOVIET UNION IN POLAND FROM BECOMING AS MUCH OR MORE OF A CRISIS FOR THE WESTERN ALLIES. THE POSSIBILITY YOU MENTION OF RESURGENT MANSFIELDISM, AND A SUPERPOWER DIALOGUE WITHOUT REGARD TO WESTERN EUROPEAN VIEWS, UNDERLINES THE DANGERS OF DISUNITY. A SECOND PURPOSE IS TO RESPOND TO OUR OWN PUBLIC OPINION AND ITS DISAPPROVAL OF THE CLAMPDOWN IN POLAND AND THE SOVIET INVOLVEMENT.

6. THE QUESTION HOW WESTERN MEASURES CAN AFFECT EVENTS IN POLAND IS MORE DEBATABLE. WESTERN MEASURES TOWARDS POLAND CAN GIVE JARUZELSKI ADDITIONAL MOTIVES FOR RELAXING THE REPRESSION AS SOON AS HE THINKS IT SAFE TO DO SO, ALTHOUGH NOT BEFORE. WITHHOLDING OF NEW CREDITS IS OUR BEST INSTRUMENT FOR THIS. THE MEASURES TAKEN SO FAR TOWARDS THE SOVIET UNION ARE BOUND TO BE LESS DIRECT IN THEIR EFFECT. BUT THE ARGUMENTS IN MOSCOW FOR ALLOWING RELAXATION OF THE REPRESSION IN POLAND CAN PERHAPS BE SLIGHTLY INCREASED BY WESTERN MEASURES: AND THE

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ARGUMENTS FOR EXERCISING RESTRAINT IN FUTURE CRISES MAY ALSO BE INCREASED. WHEREAS NO POSSIBLE WESTERN PACKAGE OF MEASURES COULD FORCE THE RUSSIANS TO CALL OFF MARTIAL LAW, LIMITED MEASURES IN PRESENT CIRCUMSTANCES CAN SHOW THEM THAT WORSE MAY HAPPEN IF THEY BECOME MORE INVOLVED IN POLAND. WE ALSO SEE FORCE IN THE ARGUMENT, DEPLOYED IN MORE AMBITIOUS TERMS BY THE AMERICANS, THAT WESTERN CALLS FOR SOVIET RESTRAINT WILL LOOK FEEBLE UNLESS SOME MEASURES ARE TAKEN WHEN THE SOVIET UNION FAILS TO EXERCISE SUFFICIENT RESTRAINT.

7. THE WEST HAS BEEN RIGHT IN STATING IN GENERAL TERMS THE THREE THINGS WHICH IT WANTS JARUZELSKI TO DO. WE HAVE THUS KEPT FOR OURSELVES THE RIGHT TO SAY WHETHER HIS FUTURE ACTIONS MEET OUR REQUIREMENTS. THIS MIGHT BECOME VERY RELEVANT, FOR INSTANCE IF THE FORM BUT NOT THE REALITY OF MARTIAL LAW WERE LIFTED.

8. ANOTHER IMPORTANT PRINCIPLE IS THAT MEASURES TOWARDS THE SOVIET UNION AND POLAND SHOULD NOT HURT US MORE THAN THEM. INVOCATION OF THE QUOTE TANK CLAUSE UNQUOTE IN THE 1981 DEBT RESCHEDULING AGREEMENT COULD WELL DO THAT. AN EXTENSION OF US MEASURES TO COVER SUBSIDIARY COMPANIES IN EUROPE WOULD CAUSE ADDITIONAL TRANSATLANTIC PROBLEMS. AN AMERICAN EMBARGO ON ALL EXPORTS TO THE SOVIET UNION, IF IT AFFECTED EXISTING EUROPEAN CONTRACTS, WOULD CAUSE A TRANSATLANTIC ROW FAR GREATER THAN THE DIFFERENCES EXPERIENCED HITHERTO.

ARMS CONTROL AND PUBLIC OPINION

9. SIMILARLY DISRUPTION OF ARMS CONTROL WOULD NOT SERVE WESTERN INTERESTS AND MIGHT GIVE A BOOST TO ANTI-NUCLEAR AND ANTI-AMERICAN SENTIMENT IN EUROPEAN PUBLIC OPINION. THE US STANCE ON ARMS CONTROL SEEMED UNTIL JUST RECENTLY TO BE TAKING THIS POINT FULLY INTO ACCOUNT. THE DECISION NOT TO PROPOSE THIS WEEK AN OPENING DATE FOR START TALKS MAY NOT AROUSE EUROPEAN PUBLIC OPINION, WHICH IS MUCH IMPRESSED BY POLAND. BUT WE DO NOT SUPPORT THESE AND OTHER NEGOTIATIONS TO DO THE USSR A FAVOUR. HAVING ON THE WHOLE HAD MUCH OF THE BEST OF THE CONTEST AT MADRID, WE MUST BE CAREFUL NOT TO MISHANDLE THE END-GAME. AND IT IS DISTURBING THAT RIGHTWING US CRITICISM OF THE ADMINISTRA-

TION'S POLICIES OVER POLAND SHOULD HAVE FOCUSSED ON EAST-WEST POLITICAL CONTACTS AND NEGOTIATIONS, THE VERY THINGS THAT EUROPEAN PUBLIC OPINION WOULD PROBABLY WISH TO REMAIN UNAFFECTED BY WESTERN SANCTIONS.

GAS PIPELINE

10. THE AMERICANS HAVE BEEN MAKING CLEAR FOR MANY MONTHS THEIR OBJECTIONS TO THE PROJECT. BUT THEY HAVE BEEN UNABLE TO CONVINCED THE FRENCH AND THE GERMANS. SOVIET OIL SUPPLIES WILL DIMINISH, SO THAT, AFTER THE GAS PIPELINE IS BUILT, OVERALL WEST EUROPEAN DEPENDENCE ON SOVIET ENERGY SUPPLIES WILL BE SLIGHTLY LESS THAN NOW. IT IS DEBATABLE WHETHER THE RUSSIANS, FOR TECHNICAL REASONS AND BECAUSE OF FINANCIAL IMPLICATIONS, WOULD FEEL ABLE TO CUT OFF THE GAS IN A CRISIS. THE REAL RISK MAY BE THAT SOME WEST EUROPEAN COUNTRIES, ESPECIALLY GERMANY, MIGHT BECOME EVEN MORE RELUCTANT THAN NOW, BECAUSE OF SUBJECTIVE FEARS OF SOVIET INTERRUPTION OF GAS OR DEMANDS FOR HIGHER PRICES, TO ADOPT FIRM POLICIES TOWARDS THE SOVIET UNION, ESPECIALLY IN CRISIS PERIODS. BUT THE GERMANS HAVE SET AN UPPER LIMIT OF 30 PER CENT FOR THE PROPORTION OF THEIR GAS SUPPLIES THAT MAY COME FROM THE USSR (WHEREAS, ACCORDING TO PUBLISHED DATA, THE FIGURE FOR FRANCE IN 1990 MAY BE 32-40 PER CENT). PERSUASION HAVING FAILED, IT IS QUESTIONABLE FOR THE AMERICANS TO BLOCK UNILATERALLY A PROJECT OF VITAL IMPORTANCE TO THE EUROPEANS IN THE GUISE OF AN ALLIANCE REACTION OVER POLAND.

CONCLUSION

11. WHAT WE NEED TO DO NOW IS TO WORK FLAT OUT FOR A REASONABLE ARRAY OF WEST EUROPEAN POLITICAL AND ECONOMIC MEASURES TOWARDS THE SOVIET UNION AND A REASONABLE ACCOMMODATION ABOUT THE EFFECTS OF THE US MEASURES ON EXISTING EUROPEAN CONTRACTS. UNLESS THIS IS ACHIEVED, THERE IS ALMOST CERTAIN TO BE A SERIOUS PUBLIC ROW BETWEEN THE US AND ITS MAJOR EUROPEAN ALLIES, WITH LASTING CONSEQUENCES WHICH WOULD BE VERY DAMAGING FOR NATO AND FOR WESTERN SECURITY. IT IS MORE IMPORTANT THAT THE WEST SHOULD AGREE (AND THERE IS STARTING TO BE INTEREST HERE IN WHAT SPAIN, JAPAN, AUSTRALIA AND NEW ZEALAND MAY BE WILLING TO DO) THAN THAT EVERY DETAIL OF THE PACKAGE SHOULD BE AS THE US WOULD LIKE.

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IF THE AMERICANS UP THE ANTE BY ANNOUNCING A SECOND, MORE FAR-REACHING SET OF MEASURES IN THE NEXT TEN DAYS, THE CHANCES OF UNITY ON THE BASIS OF THE NATO DECLARATION OF 11 JANUARY MAY BE LOST. THE NEED FOR FURTHER WESTERN MEASURES BEYOND THOSE DISCUSSED IN NATO ON 23 JANUARY WILL DEPEND ON EVENTS IN POLAND AND WE SEE NO NEED TO BE PRECIPITATE ON THIS SCORE. WE HOPE THAT THE NEW PRESSURES FROM THE RIGHT ON US POLICY WILL NOT OUTWEIGH THESE ARGUMENTS FOR SECURING UNITY BEFORE MOVING ON TO THE NEXT PHASE.

12. WE SHOULD WELCOME ANY FURTHER SPECIFIC RECOMMENDATIONS YOU MAY HAVE. FOR EXAMPLE, DO YOU THINK THAT VERY FIRM STATEMENTS DEPLORING EVENTS IN POLAND BY SEVERAL WEST EUROPEAN LEADERS IN THE NEXT FEW DAYS WOULD HELP HAIG IN RESISTING THE RIGHTWING CRITICISM? SHOULD HE BE INVITED TO STOP OVER IN EUROPE ON HIS WAY BACK FROM THE MIDDLE EAST?

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Sunday Mirror

Mirror Group Newspapers Limited

From the Editor

Holborn Circus EC1P 1DQ
Telephone: 01-822 3144
Telegrams: Mirror London EC1
Telex: 27286

26th January 1982

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Dear Prime Minister,

As I write, Greg Miskiw is safely on his way to Montreal (of all places!). He will be telling me the whole story when he gets back, but I do know that he was at breaking point until your intervention. After this, he was fully aware that every possible effort was being made to get him out and the best morale booster of all was when you arranged for him to get in touch with his girlfriend.

Mr. Coles has been absolutely splendid since I saw you and we are exceedingly grateful to him, too.

May I thank you once again for your immense help in the most worrying situation I have ever experienced as an editor. For the Prime Minister to show so much concern over one individual who is in trouble is something I will never forget.

Yours ever,
Bob Edwards

The Rt. Hon. Margaret Thatcher, MP,
10 Downing Street,
London, S.W.1.

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TO IMMEDIATE UKMIS GENEVA

TELEGRAM NUMBER 7 OF 26 JANUARY

INFO PRIORITY WASHINGTON PARIS BONN ROME UKDEL NATO UKREP BRUSSEL
CSCE MADRID MEETING

1. PLEASE PASS THE FOLLOWING PERSONAL MESSAGE DATED 26 JAN.
IMMEDIATE TO MR HAIG:

BEGINS:

DEAR AL

MANY THANKS FOR YOUR MESSAGE OF 23 JANUARY CONCERNING DEVELOPMENTS IN POLAND AND THE MADRID MEETING. I ENTIRELY AGREE WITH YOU THAT WE NEED URGENTLY TO CONCERT OUR APPROACH SO THAT AT THE MADRID MEETING WE ALL SPEAK WITH THE SAME VOICE. AS YOU SAY, MADRID WILL BE AN EXCELLENT OPPORTUNITY FOR THE ALLIES TO SUSTAIN PUBLIC ATTENTION ON POLAND AND TO MAKE CLEAR TO THE EAST THE DAMAGING EFFECTS WHICH THE CRACKDOWN WILL CONTINUE TO HAVE ON EAST/WEST RELATIONS.

I HAVE A LONG STANDING COMMITMENT TO VISIT THE COUNTRIES OF SOUTH EAST ASIA AND THIS MEANS THAT IT WOULD BE VERY AWKWARD TO GET TO MADRID FOR THE FIRST MEETING ON 9 FEBRUARY. INSTEAD I PLAN TO ARRIVE IN THE AFTERNOON OF 11 FEBRUARY, AND TO SPEAK AT THE SECOND PLENARY MEETING ON 12 FEBRUARY. I THINK IT IN ANY CASE MAKES SENSE TO SPREAD OUR OWN INTERVENTIONS OVER TWO SESSIONS.

AS TO OUR COMMON THEMES, I AGREE WITH THE GENERAL LINES OF WHAT YOU PROPOSE. I AM HOWEVER A LITTLE DOUBTFUL ABOUT THE WISDOM OF DECIDING NOW THAT ONLY WHEN THE POLISH REGIME HAS MET OUR THREE CONDITIONS SHOULD WE AGREE TO RESUME A NEGOTIATION TOWARDS A SUBSTANTIVE OUTCOME AT MADR. I WOULD PREFER TO LEAVE THIS OPEN AND TO DECIDE IN DUE COURSE WHETHER A 'GENUINE EFFORT TOWARDS A NATIONAL RECONCILIATION HAS BEEN MADE.' FURTHERMORE

SECRET

THE NEUTRAL AND NONALIGNED COUNTRIES ARE LIKELY TO BE CRITICAL IF WE TRY TO IMPOSE UNILATERALLY A SPECIFIC CONDITION CONCERNING THE CONTINUITY OF THE CSCE PROCESS.

AFTER THE DEBATE ON POLAND, I WOULD BE CONTENT TO WORK FOR AN ADJOURNMENT OF THE MADRID MEETING UNTIL THE AUTUMN. BUT THE QUESTION IS HOW BEST TO GO ABOUT IT, SO THAT THE SOVIET UNION AND ITS ALLIES AND THE NNA COUNTRIES WILL JOIN IN THE CONSENSUS NECESSARY FOR THIS. WHILE AN EARLY ADJOURNMENT WOULD MAKE A LOT OF SENSE, I DO NOT THINK IT WOULD BE IN THE WESTERN INTEREST FOR US TO BECOME DEMANDEUR FOR SUCH AN ADJOURNMENT OR TO BE THE FIRST TO WALK AWAY FROM THE NEGOTIATING TABLE. THIS IS WHY, AS TINDEMANS WILL BE EXPLAINING TO YOU, THE TEN DID NOT AT PRESENT WANT THE MADRID TALKS TO BE SUSPENDED. WE DO NOT YET KNOW WHAT THE NNA COUNTRIES WILL HAVE DECIDED UPON AT THEIR MEETING IN VIENNA ON 25-26 JANUARY. IT SEEMS A LITTLE EARLY TO CAST OUR TACTICS IN CONCRETE.

SUBJECT TO THE ABOVE, IT MIGHT BE TACTICALLY PREFERABLE FOR US TO FOLLOW-UP THE STATEMENTS ON POLAND ON 9 FEBRUARY WITH SOME AMENDMENTS TO THE NNA DRAFT OF 16 DECEMBER WHICH, WHILE BASING THEMSELVES ON WESTERN POSITIONS OF PRINCIPLE, WOULD DEMONSTRATE OUR REFUSAL TO COUNTENANCE 'BUSINESS AS USUAL' IN THE FACE OF DEVELOPMENTS IN POLAND. WE WOULD HAVE A NATURAL OPPORTUNITY TO ACT IN THIS WAY IN THE INFORMAL NEGOTIATING SESSIONS SCHEDULED FOR 10 AND 11 FEBRUARY. THE EAST AND THE NNA WOULD THEN BE BROUGHT TO REALISE THAT THERE WOULD BE NO PROFIT IN CONTINUING NEGOTIATIONS AT THIS TIME OF HARDENED POSITIONS.

AT ALL EVENTS, LET US HAVE OUR PEOPLE THRASH OUT THESE QUESTIONS BEGINNING WITH THE NORTH ATLANTIC COUNCIL MEETING ON 27 JANUARY. THEY ARE INDEED TACTICAL MATTERS AND THEY DO NOT CALL INTO QUESTION OUR POSITION OF 'NO BUSINESS AS USUAL'.

WITH BEST WISHES

YOURS EVER

PETER

CARRINGTON

CSCE GENERAL

STANDARD

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ACDD	NTD
CRD	TRED
EGD	WED
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FM UKREP BRUSSELS 251947Z JAN 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 281 OF 25 JANUARY 1982

INFO IMMEDIATE WASHINGTON UKDEL NATO MOSCOW WARSAW

INFO PRIORITY PARIS BONN

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN

LUXEMBOURG ATHENS

COUNCIL OF MINISTERS (FOREIGN AFFAIRS) 25 JANUARY: POLAND

SUMMARY

1. AGREED THAT FUTURE AID TO POLAND WOULD BE CHANNELLED THROUGH HUMANITARIAN ORGANISATIONS, AND THAT SALES OF FOOD ON SPECIAL TERMS WOULD BE DISCONTINUED. GREEK RESERVES HELD UP AGREED CONCLUSIONS ON TRADE POLICY MEASURES VIS-A-VIS THE U S AND NON-UNDERMINING: THE COUNCIL WILL RETURN TO THESE TOMORROW. IN THE MEANTIME, PRESIDENCY WILL BRIEF HAIG ON COMMUNITY ATTITUDES, MAKING CLEAR ALSO THAT THE COMMUNITY DID NOT AT PRESENT WISH THE MADRID CONFERENCE TO BE SUSPENDED.

DETAIL

2. SCRAPPY DISCUSSION OVER LUNCH ON GUIDELINES FOR PRESIDENCY TO FOLLOW IN BRIEFING HAIG ON COMMUNITY ATTITUDES, AS A RESULT OF WHICH PRESIDENCY LATER CIRCULATED A TEXT. A NUMBER OF AMENDMENTS WERE PROPOSED TO THIS IN SUBSEQUENT DISCUSSION AND ARE REFLECTED IN THE VERSION IN MIFT (NO AUTHORITATIVE VERSION YET EXISTS). AS A RESULT MOST DELEGATIONS WERE ABLE TO ACCEPT THE TEXT (THOUGH CHEYSSON PUT A WAITING RESERVE ON PARA 2). HOWEVER, HARALAMBOPOULOS INSISTED THAT PARAS 2, 3 AND 4 DID NOT REFLECT THE VIEWS OF THE GREEK GOVERNMENT AND PLACED A RESERVE ON THEM. AFTER SEVERAL FRUITLESS ROUNDS IT WAS AGREED TO RETURN TO THESE POINTS WHEN THE COUNCIL RESUMES TOMORROW (THE PRESIDENCY MAY PROPOSE VOTING ON THEM.)

3. ON CSCE IT WAS AGREED TO INFORM THE AMERICANS THAT THE COMMUNITY DID NOT AT PRESENT WANT THE MADRID TALKS TO BE SUSPENDED (AT PRESENT BEING ADDED AT YOUR INSISTENCE).

4. AT HIS SUBSEQUENT PRESS CONFERENCE, TINDEMANS READ OUT PARA 1 OF THE TEXT IN MIFT (ON HUMANITARIAN AID). IN ANSWER TO QUESTIONS HE SAID THAT OTHER ASPECTS, FOR EXAMPLE POSSIBLE RESTRICTIONS ON EXPORT CREDITS FOR THE SOVIET UNION, WOULD BE DISCUSSED TOMORROW. HE ADDED THAT MINISTERS HAD AGREED TO ATTEND

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THE RESUMED MADRID CONFERENCE ON 9 FEBRUARY: THEY WOULD MEET BEFORE AND DURING THE CONFERENCE. THEY HAD ALSO AGREED NOT TO PRESS FOR SUSPENSION AT PRESENT, BUT RATHER TO USE THE CONFERENCE TO FOCUS ATTENTION ON THE SITUATION IN POLAND. HE WOULD BE CONTACTING HAID TO EXPLAIN COMMUNITY VIEWS.

5. PLEASE SEE MIFT.

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CROWE; BROOMFIELD; MS YOUNG

CAB - WENTWORTH

IDT - CORLEY

MAFF - PARKHOUSE; BARKER (ERD)

TSY - MOUNTFIELD

FCO PASS SAVING TO COPENHAGEN THE HAGUE ROME DUBLIN
LUXEMBOURG ATHENS

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PS/LPS
PS/LORD TREFGARNE
PS/PUS
MR BULLARD
LORD BRIDGES
MR ~~GOODISON~~
MR EVANS
MR HANNAY
MR HAYES

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TO IMMEDIATE FCO

TELEGRAM NUMBER 282 OF 25 JANUARY 1982

INFO IMMEDIATE WASHINGTON UKDEL NATO

INFO PRIORITY PARIS BONN MOSCOW WARSAW

INFO SAVING BRUSSELS COPENHAGEN THE HAGUE ROME DUBLIN

LUXEMBOURG ATHENS

MIPT: POLAND

FOLLOWING IS UNOFFICIAL TEXT OF GUIDELINE

IT IS UNDERSTOOD THAT APART FROM THE COMMUNICATION TO BE MADE TO MR HAIG, SECRETARY OF STATE, ON THE PROCEEDINGS OF THE CSCE, THE PRESIDENT WOULD ALSO BE AUTHORIZED TO INFORM THE AMERICAN SECRETARY OF STATE:

1. THAT, IN ACCORDANCE WITH THE COMMISSION'S PROPOSAL AND UNDER THE PRESENT CIRCUMSTANCES THE COMMUNITY INTENDS TO DISCONTINUE SALES TO POLAND OF FOODSTUFFS ON SPECIAL TERMS (INSTALLMENT 3B). THE FUNDS EARMARKED FOR THIS PURPOSE WILL BE WHOLLY OR PARTIALLY USED FOR PURELY HUMANITARIAN AID (IN THE FORM OF GIFTS) TO THE POLISH PEOPLE ROUTED THROUGH THE NGO'S. THE COMMISSION AND COREPER HAVE BEEN INSTRUCTED TO IMPLEMENT THIS HUMANITARIAN MEASURE AND PARTICULARLY TO DETERMINE EXACTLY WHICH AMOUNTS SHOULD BE DEVOTED TO THIS PURPOSE. IT IS OF COURSE UNDERSTOOD THAT EXPORTS ON NORMAL TERMS MAY CONTINUE.
2. THAT, AS REGARDS EXPORT CREDITS, THE COMMUNITY WILL PROPOSE WITHOUT DELAY TO ITS OECD PARTNERS THAT THE USSR BE TRANSFERRED FROM THE CATEGORY OF INTERMEDIATE COUNTRIES IN WHICH IT NOW IS (CATEGORY 2) TO THE CATEGORY OF RELATIVELY RICH COUNTRIES (CATEGORY 1). THIS WOULD INCREASE THE RELEVANT INTEREST RATES FROM 10.5 PER CENT TO 11 PER CENT FOR CREDIT PERIODS OF 2 TO 5 YEARS AND FROM 11 PER CENT TO 11.25 PER CENT FOR CREDIT PERIODS OF 5 TO 8.5 YEARS.
3. THAT THE COUNCIL HAS INSTRUCTED COREPER, IN CONJUNCTION WITH THE COMMISSION, TO SEE WHAT TRADE POLICY MEASURES RELATING TO IMPORTS WOULD BE OPEN TO THE COMMUNITY TO TAKE VIS-A-VIS THE USSR, ON THE UNDERSTANDING THAT THIS STUDY WOULD BE WITHOUT PREJUDICE TO THE EVENTUAL OPERATIONAL DECISIONS, WHICH WOULD DEPEND ON SUBSEQUENT DECISIONS TAKEN BY THE COUNCIL OR BY MEMBER GOVERNMENTS.

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ON THIS OCCASION THE COUNCIL COULD ALSO INSTRUCT COREPER AND THE COMMISSION TO CONDUCT AN EXCHANGE OF INFORMATION AND AN ANALYSIS OF THE ECONOMIC MEASURES TAKEN BY THE UNITED STATES IN RESPECT OF THE SOVIET UNION WITH A VIEW TO IDENTIFYING THEIR EXACT SCOPE AND THEIR IMPACT ON THE ECONOMY AND TRADE OF THE MEMBER STATES OF THE COMMUNITY. IN THE LIGHT OF THIS STUDY THE COUNCIL WOULD BE CALLED UPON TO DECIDE WHAT CO-ORDINATED ACTION WAS NECESSARY TO IMPLEMENT THE COMMITMENT NOT TO UNDERMINE EACH OTHER'S MEASURES GIVEN IN PARAGRAPH 7 OF THE STATEMENT MADE BY THE MINISTERS FOR FOREIGN AFFAIRS ON 4 JANUARY.

FCO ADVANCE TO:

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PS
PS/LPS
PS/LORD TREFGARNE
PS/PUS
MR BULLARD
LORD BRIDGES
MR GODDISON
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Paris, 24th January 1982

Mrs. Margaret Thatcher,
Prime Minister
10, Downing Street

L O N D O N

England

Dear Prime Minister,

Our Movement has published a declaration after the recent events in Poland.

Your firmness concerning the fight for freedom in Eastern Europe generates hopes that you will not abandon those who are the strongest and most dangerous weapon of Western Defence.

Your country has already demonstrated to the whole world how resistance is finally bringing victory. We hope, therefore, that you will be followed if you decide a larger support for the gallant Poles.

Be assured that our Movement will stay on your side.

Yours respectfully,

Movement of Bulgarian Liberation

Ts. Barrev

Ts. B A R E V
P r e s i d e n t

Enclosure.

Paris, le 19 Janvier 1982

Le Comité Exécutif du Mouvement de Libération Bulgare déclare :

L' "état de guerre " instauré en Pologne le 13 Décembre dernier par le Quisling polonais Jaruzelski fournit au monde libre la preuve irréfutable de l'inanité de toute négociation avec les régimes soviéto-communistes d'Europe du Centre et de l'Est.

Dépourvus de la plus élémentaire bonne foi et dépendant de la pression soviétique sur leurs peuples afin d'assurer leur propre existence, ces régimes ne peuvent constituer des partenaires pour les pays véritablement démocratiques.

Existant uniquement en raison de l'incessante ingérence soviétique ces régimes bénéficient, néanmoins, d'une collaboration économique avec les pays libres laquelle, seule, permet la continuation de l'exploitation des peuples qui leur sont soumis en suppléant aux déficiences de leurs échanges avec l'URSS.

Faisant ainsi preuve d'un inexplicable et dangereux laisser-aller, le monde libre a laissé s'accumuler les violations des accords successifs, sans manifester la moindre réaction pratique.

Ainsi, les accords de Yalta, tant de fois mentionnés, n'ont jamais été réellement appliqués. Les élections libres et pluralistes prévus par ces accords n'ont eu lieu ni en Pologne, ni en Roumanie, ni en Bulgarie, ni en Yougoslavie. Les gouvernements légaux de la Hongrie et de la Tchécoslovaquie ont été renversés par des coups d'état orchestrés par les soviétiques. Quant à l'Allemagne, elle a été scindée en deux et même la ville de Berlin, objet d'un statut quadripartite interallié, a été odieusement divisée par un mur assurément pas prévu à Yalta.

Il en a été de même concernant les traités de paix signés avec la Bulgarie, la Hongrie et la Roumanie. L'Allemagne, de son côté, a été totalement privée d'un tel document et, par conséquent, exposée à de permanentes surenchères et pressions.

Une aussi négligente mansuétude n'a d'exemple dans l'histoire qu'au cours de la longue et irrémédiable décadence de l'Empire Romain.

Malgré toutes ces violations, auxquelles il convient d'ajouter l'inobservation de la Charte des Nations Unies ainsi que de la Convention Internationale des Droits de l'Homme,

.../...

.../...
il a été, néanmoins, procédé, en dépit du plus élémentaire bon sens à l'établissement et à la signature, en 1975, de l'Acte Final d'Helsinki.

Nous sommes ainsi témoins d'une nouvelle et flagrante violation de cet accord, pourtant librement et solennellement signé.

Le Mouvement de Libération Bulgare, issu d'un peuple européen millénaire directement concerné par cet état de choses, considère qu'il doit être mis fin le plus rapidement possible à une situation portant les plus graves dangers pour tout le continent.

Les peuples européens jouissant encore de leur liberté possèdent tous les moyens efficaces en vue de rétablir un ordre de justice et de droit sans mettre en péril la paix.

Ces moyens sont :

- l'arrêt immédiat de toute attribution de crédits ou de facilités financières à tous les pays soviéto-communistes, jusqu'au remboursement intégral, intérêts compris, de tous les prêts et de toutes les facilités de paiement déjà consenties ;
- l'embargo intégral et complet sur toutes les fournitures de céréales et d'aliments de toute nature à l'URSS; embargo sélectif à l'encontre des pays soviéto-communistes, seules les fournitures d'aliments distribuées directement à la population par des organisations dignes de confiance pouvant être maintenues;
- la cessation de tous les échanges technologiques et de toutes les fournitures susceptibles d'accroître la capacité offensive des soviéto-communistes;
- la suspension immédiate de toutes les négociations officielles y compris celles concernant les armes de théâtre jusqu'à la cessation complète et indiscutable des ingérences soviétiques en Europe du Centre et de l'Est ;
- la mise en demeure solennelle en vue d'obtenir l'application immédiate et intégrale des dispositions de l'Acte Final d'Helsinki faute de quoi procéder à la notification de la dénonciation pour caducité de ce même Acte Final, dénonciation impliquant le rejet de la domination soviétique sur les peuples européens concernés ;
- le ravitaillement rapide et massif de la Résistance Afghane en nourriture, médicaments et armes modernes, sans discrimination entre les organisations combattantes, assorti d'une reconnaissance éventuelle de la plus représentative parmi elles en vue de susciter des interlocuteurs dans le but d'obtenir le retrait soviétique ;

.../...

- l'exclusion immédiate de tous les représentants des pays soviéto-communistes de toutes les organisations internationales à caractère démocratique et pluraliste ;

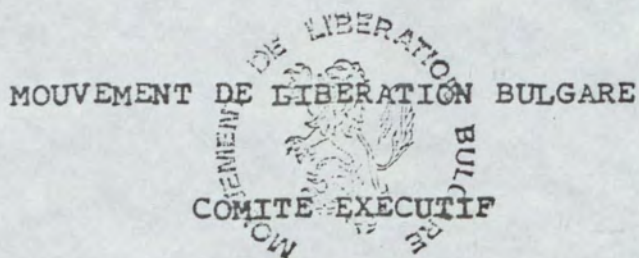
La modération de ces moyens ainsi que la facilité de leur application constituent un gage de leur efficacité.

Les combattants bulgares de la liberté sont pleinement conscients de l'intérêt pour tous les peuples de préserver la paix. Ils considèrent, toutefois, à la lumière d'un récent passé, que la paix ne pourrait être maintenue dans l'équivoque, dans le déshonneur et dans la servitude.

Le Mouvement de Libération Bulgare a instamment demandé à tous ses membres et sympathisants d'accorder leur appui le plus total aux ouvriers et aux paysans polonais qui se trouvent, aujourd'hui, à la pointe du combat le plus sacré.

Le peuple bulgare qui, le premier en Europe de l'Est, a levé l'étendard de la révolte contre la tyrannie, se trouve aujourd'hui isolé et abandonné. Néanmoins, pleinement conscient de l'enjeu, il consacre tous ses efforts au soutien de la résistance polonaise.

La marche victorieuse de la liberté ne doit pas s'arrêter et elle ne s'arrêtera pas.



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DESKBY (UKREP BRUSSELS) 250800Z

FROM UKDEL NATO 232000Z JAN 82

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE

TELEGRAM NUMBER 039 OF 23 JANUARY 1982

IMMEDIATE INFO UKREP BRUSSELS (DESKBY 250800Z), WASHINGTON, BONN,
PARIS, MOSCOW, AND WARSAW

INFO ROUTINE ANKARA, ATHENS, BRUSSELS, COPENHAGEN, THE HAGUE,
LISBON, LUXEMBOURG, OSLO, OTTAWA, REYKJAVIK, ROME, DUBLIN, BUDAPEST,
BUCHAREST, BELGRADE, SOFIA, AND PRAGUE

SAVING INFO TOKYO, CANBERRA, WELLINGTON, MADRID, UKDEL OECD,
UKMIS NEW YORK, AND UKMIS GENEVA.

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NATO COUNCIL

NAC MEETING ON POLAND: 23 JANUARY

1. THE MEETING LASTED FROM 1030 TO 1500 HOURS WITHOUT A BREAK FOR LUNCH. IT WAS CHARACTERISED BY THE BUSINESS-LIKE APPROACH OF MOST DELEGATIONS, LARGELY THANKS TO THE SKILFUL CHAIRMANSHIP OF DA RIN WHO KEPT DISCUSSION FOCUSED ON THE ACTION PARAGRAPHS OF THE NATO DECLARATION OF 11 JANUARY. THE COMMON FEATURE OF THE OPENING PRESENTATION OF ALL DELEGATIONS WAS AGREEMENT ON THE NEED TO PRESERVE THE UNITY AND MOMENTUM ESTABLISHED BY THE MINISTERIAL MEETING BY TAKING SPECIFIC MEASURES TO FOLLOW UP THE GUIDELINES LAID DOWN ON 11 JANUARY.

2. BENNETT (US) IN HIS OPENING STATEMENT SAID THAT THE SITUATION IN POLAND HAD DETERIORATED AND A STRONG WESTERN MESSAGE WAS MORE NECESSARY THAN EVER. HE HOPED SOME MEASURES COULD BE AGREED TODAY WITH THE AIM NOT TO PUNISH BUT TO INFLUENCE THE POLISH AND SOVIET LEADERSHIPS. HE HOPED ALL DELEGATIONS WOULD CONTRIBUTE INFORMATION ON MEASURES ALREADY TAKEN AND UNDER CONSIDERATION. TO JUDGE BY HIS LATER INTERVENTIONS AND THOSE OF HORMATS THE AMERICANS WERE REASONABLY SATISFIED BY THE RESPONSE OF MOST DELEGATIONS, BUT THEY WILL PRESS FOR THE MOMENTUM TO BE KEPT UP AND FOR SPECIFIC ACTION BY AS MANY ALLIES AS POSSIBLE, NOT ONLY IN THE POLITICAL BUT ALSO THE ECONOMIC FIELD.

3. I SPOKE EARLY IN THE DEBATE AND SUPPORTED BENNETT'S PLEA TO KEEP UP MOMENTUM BY EARLY AGREEMENT ON COMMON ACTION (TEXT OF MY STATEMENT IN MIFT).

4. SOME GENERAL CONCLUSIONS CAN BE DRAWN FROM THE APPROACH ADOPTED BY MOST OTHER DELEGATIONS IN THEIR OPENING STATEMENTS. ALL, WITH THE EXCEPTION OF THE GREEKS (WHO REITERATED THEIR GENERAL OPPOSITION TO "SANCTIONS"), REFERRED TO THE SUSPENSION OF CREDIT AND POSTPONEMENT OF RESCHEDULING TALKS AS COMMON DECISIONS. SOME DELEGATIONS WERE PREPARED TO GO FURTHER IN TERMS OF ADDITIONAL POLITICAL ACTIVITIES SUCH AS RESTRICTIONS ON POLISH DIPLOMATS OR POSTPONEMENT OF BILATERAL EVENTS. AS FAR AS THE SOVIET UNION WAS CONCERNED, ALL DELEGATIONS SPOKE UNDER THE GENERAL RESERVE OF "MATTERS UNDER CONSIDERATION ON WHICH FINAL DECISIONS HAD YET TO BE TAKEN". /THERE

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THERE AFTER THERE WAS A DIVISION BETWEEN THOSE LIKE THE ITALIANS AND OURSELVES WHO WERE PREPARED TO CONTEMPLATE ECONOMIC AS WELL AS POLITICAL MEASURES AND THOSE LIKE THE DANES AND THE NORWEGIANS WHO CONFINED THEMSELVES TO POLITICAL MEASURES.

5. THE MEETING ENDED WITH A LENGTHY AND RATHER CONFUSED DISCUSSION ABOUT HOW THE PROCESS SHOULD BE CARRIED FORWARD IN THE COUNCIL. THE AMERICANS URGED THAT THE NEXT "FOLLOW UP MEETING" SHOULD TAKE PLACE ON 4 FEBRUARY WITH DELEGATIONS REINFORCED BY EXPERTS. MERILLON (FRANCE) ARGUED AGAINST THIS. THERE WAS NO REASON WHY THE COUNCIL SHOULD NOT CARRY FORWARD WORK ON POLAND AS PART OF ITS REGULAR AGENDA. HE WOULD BE PREPARED TO DISCUSS ASPECTS OF POLAND OTHER THAN CSCE AT THE MEETING SCHEDULED FOR 27 JANUARY. THERE WAS NO REASON WHY NATIONAL DECISIONS NEEDED TO WAIT FOR MEETINGS OF THE COUNCIL. THESE COULD BE TAKEN INDEPENDENTLY. BENNETT SAID THAT HE WAS NOT SO CONCERNED ABOUT THE DATE, BUT MORE THAT A PARTICULAR COUNCIL MEETING SHOULD BE EXCLUSIVELY DEVOTED TO FOLLOW UP WORK ON THE 11 JANUARY DECLARATION. AFTER FURTHER DISCUSSION IT WAS AGREED THAT POLAND WOULD BE DISCUSSED BY THE COUNCIL ON 27 JANUARY AND 3 FEBRUARY. ON 27 JANUARY THE COUNCIL WOULD DISCUSS CSCE AS ARRANGED AND ALSO HEAR A REPORT FROM THE BELGIANS ON PROGRESS AT THE FOREIGN AFFAIRS COUNCIL ON 25/26 JANUARY. THE COUNCIL ON 3 FEBRUARY WOULD BE DEVOTED EXCLUSIVELY TO POLAND. WE GAVE BENNETT SUPPORT AND SAID THAT WE HOPED IT WOULD BE POSSIBLE FOR DECISIONS TO BE ANNOUNCED ON 3 FEBRUARY.

6. MY SECOND AND THIRD IFTS CONTAIN DETAILED REPORTS OF DISCUSSION ON MEASURES AGAINST POLAND AND THE SOVIET UNION.

FCO PLEASE PASS TO SAVING ADDRESSES

SCOTT

[REPEATED AS REQUESTED]

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TELNO 150 OF 22ND JANUARY 1982
AND TO IMMEDIATE UKDEL NATO
INFO ROUTINE: WASHINGTON, MOSCOW, PARIS AND BONN
INFO SAVING: SOFIA, PRAGUE, BUDAPEST, BUCHAREST, BELGRADE,
EAST BERLIN: UKMIS NEW YORK, UKREP BRUSSELS, HELSINKI AND
STOCKHOLM

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Prime Minister

The latest view from

Warsaw.

A-I-C-25
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FCO TELNO 83: POLAND : NAC MEETING ON 23 JANUARY.

1. AS REQUESTED WE NOW ATTACH UPDATED COMPREHENSIVE SITREP ON
POLISH SITUATION FOR USE OF DELEGATION TO NAC.

INTERNAL SITUATION

2. THE COUNTRY REMAINS OUTWARDLY QUIET. THERE IS NO EVIDENCE OF ACTIVE OPPOSITION. AUTHORITATIVE ACCOUNTS OF LIFE OUTSIDE WARSAW ARE RARE BUT SUCH GLIMPSES AS WE GET (JOURNALISTS' VISIT TO POZNAW, RECENT WELL-PLACED VISITOR FROM WROCLAW, EMBASSY COMMERCIAL VISIT TO GDANSK) SUGGEST THAT ALTHOUGH FACTORY ATTENDANCE IS HIGH, LITTLE WORK IS BEING DONE. AN ESTIMATE OF 30-40% PRODUCTIVITY SEEMS REASONABLE.

3. MOST AREAS, SOLIDARITY SEEMS TO HAVE RETAINED SOME ORGANISATION BUT IS NOT PARTICULARLY ACTIVE AT THE MOMENT. CLANDESTINE NEWS SHEETS ARE BEING PRODUCED AND A NUMBER OF IMPORTANT LEADERS, INCLUDING THE HEAD OF THE MAZOWSZE BRANCH, BUJAK, ARE STILL IN HIDING. IT IS WIDELY BELIEVED THAT SUCH RESISTANCE TO MARTIAL LAW AS MAY EXIST WILL NOT EMERGE SIGNIFICANTLY UNTIL THE SPRING.

4. THE PARTY CONTINUES TO BE IN DISARRAY. THERE IS STILL NO CONFIRMATION OF A CENTRAL COMMITTEE MEETING ALTHOUGH RUMOURS SUGGEST IT MAY HAPPEN EARLY IN FEBRUARY. AT THE LOCAL LEVEL, MANY PARTY BRANCHES ARE ENGAGED IN PURGING BOTH THE MEMBERSHIP AND LOCAL LEADERSHIP. THERE IS MOST EVIDENCE OF PARTY ACTIVITY IN AREAS WHERE THERE HAS NOT BEEN MUCH PAST HISTORY OF INDUSTRIAL UNREST.

MARTIAL LAW

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5. ALTHOUGH SOME OF THE ADMINISTRATIVE RESTRICTIONS OF MARTIAL LAW HAVE BEEN RELAXED, THERE HAS BEEN NO FURTHER SIGNIFICANT MOVEMENT FOR OVER A WEEK. THERE ARE FEWER SOLDIERS ON THE STREETS BUT THE ROAD BLOCKS THAT REMAIN ARE ACQUIRING AN AIR OF PERMANENCE. A NEW DEVELOPMENT IS THAT EVERY MAJOR ROAD OUT OF WARSAW HAS NOW BEEN BLOCKED BY A "HIGHWAY CONTROL" SIMILAR TO A FRONTIER POST, AT WHICH VEHICLES ARE BEING STOPPED AND CHECKED. WE DO NOT KNOW WHETHER OTHER CITIES HAVE BEEN SIMILARLY SEALED OFF. ALTHOUGH TELEPHONES WERE RECONNECTED TWO WEEKS AGO FOR LOCAL CALLS, ALL CONVERSATIONS ARE MONITORED AND MAY BE CUT OFF. THE CURFEW IS STILL FROM 11 PM TO 5 AM IN MOST TOWNS BUT IN GDANSK AND WROCLAW AT LEAST THE HOURS ARE LONGER. PERMISSION HAS STILL TO BE OBTAINED TO TRAVEL OUTSIDE ONE'S TOWN OF RESIDENCE. AND ONLY A FEW PEOPLE ARE ALLOWED TO DRIVE THEIR CARS.

6. NONE OF THE POLITICAL RESTRICTIONS OF MARTIAL LAW HAVE BEEN RELAXED. CIVIL LIBERTIES CONTINUE TO BE SEVERELY RESTRICTED. IT IS POSSIBLE THAT JARUZELSKI MAY ANNOUNCE SOME RELAXATIONS IN HIS SPEECH TO THE SEJM ON 25 JANUARY BUT THEY ARE UNLIKELY TO AMOUNT TO MUCH EVEN IF THEY ARE DRESSED UP AS MAJOR CONCESSIONS.

7. A NATIONWIDE "VERIFICATION" CAMPAIGN HAS BEEN LAUNCHED. OFFICIALS, PROFESSIONALS AND MANY OTHER WORKERS ARE BEING ASKED TO SIGN DOCUMENTS WITH DIFFERENT WORDING BUT CONTAINING THE SAME MESSAGE OF TOTAL DENUNCIATION OF SOLIDARITY. THOSE WHO REFUSE TO SIGN THESE VERIFICATION DOCUMENTS FIND THEMSELVES OUT OF A JOB OR SUBJECT TO OTHER PERSECUTION. THIS PROCESS HAS BEEN EXPLICITLY DISOWNED BY THE PRIMATE WHO POINTED OUT THAT DOCUMENTS SIGNED UNDER DURESS HAVE NO VALIDITY.

DETAINEES

8. SO FAR ONLY A HANDFUL OF DETAINEES HAVE BEEN RELEASED AND THE TOTAL NUMBERS STAY AT ABOUT 5000. THE NUMBER OF PEOPLE WHO HAVE BEEN CONVICTED OF POLITICAL OFFENCES SINCE THE IMPOSITION OF MARTIAL LAW NOW STANDS AT 155. THEIR CRIMES INCLUDE ORGANISING STRIKES OR OTHER TRADE UNION ACTIVITY AND THEY HAVE BEEN GIVEN JAIL SENTENCES OF MODERATE LENGTH. IT SEEMS POSSIBLE THAT JARUZELSKI MAY ANNOUNCE THE RELEASE OF A NUMBER OF DETAINEES NEXT WEEK.

RESUMPTION OF THE DIALOGUE

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9. ALL ATTEMPTS BY JARUZELSKI AND HIS INNER DIRECTORATE COLLEAGUES TO SET UP A GENUINE AND SIGNIFICANT DIALOGUE WITH SOCIETY HAVE FAILED. WALESA HAS CONSISTENTLY REFUSED TO NEGOTIATE EXCEPT ON HIS OWN TERMS, AND THE AUTHORITIES NOW APPEAR TO HAVE ABANDONED ANY HOPE THEY MAY HAVE HAD OF SECURING HIS COLLABORATION. THERE IS A GROWING CAMPAIGN TO DISCREDIT HIM AS OUT OF TOUCH AND UNREALISTIC. JARUZELSKI HAS MET SOME WORKERS, INCLUDING SOLIDARITY MEMBERS, BUT THE MEETING WAS NOT A SUBSTANTIVE ONE. NO PROMINENT SOLIDARITY LEADERS WERE PRESENT AND THE EXPERIMENT HAS NOT BEEN REPEATED. JARUZELSKI'S PRE-CHRISTMAS MEETING WITH INTELLECTUALS HAS FADED INTO THE MEMORY. IT HAS BEEN COUNTERBALANCED BY A BRAVE OPEN LETTER SENT TO THE SEJM ON 15 JANUARY BY 101 ARTISTS, WRITERS AND INTELLECTUALS. THE CHURCH HAS NOW AGREED TO TALK TO THE GOVERNMENT WITHOUT THE PRESENCE OF SOLIDARITY BUT HAS REPEATEDLY AND FORCIBLY MADE IT CLEAR THAT IT IS NOT RETREATING FROM ITS CONDEMNATION OF MARTIAL LAW OR ITS DEMANDS FOR AN END TO POLITICAL RESTRICTIONS. CHURCH/STATE MEETINGS HAVE LIMITED THEMSELVES TO SPECIFIC SUBJECTS ON WHICH THE CHURCH BELIEVES THAT LIMITED PROGRESS IS POSSIBLE. THE LATEST PASTORAL LETTER TO BE READ IN CHURCHES THIS SUNDAY RECORDS IN VIVID LANGUAGE THE CHURCH'S DEFENCE OF FREEDOM AND ITS OPPOSITION TO MARTIAL LAW.

THE ECONOMY

10. DESPITE SOME GOVERNMENT CLAIMS TO THE CONTRARY, THE ECONOMY IS IN VERY POOR SHAPE. SHORTAGES OF RAW MATERIALS AND OTHER INPUTS MEAN THAT MANY INDUSTRIES ARE OPERATING FAR BELOW CAPACITY. THIS IS COMPOUNDED BY COMMUNICATIONS DIFFICULTIES AND IN SOME AREAS BY PASSIVE WORKERS RESISTANCE TO MILITARY RULE. HUGE PRICE INCREASES ARE ABOUT TO BE INTRODUCED WITH FULL COMPENSATION BEING PROVIDED FOR ONLY THE LEAST WELL OFF. FOOD SHORTAGES ARE LIKELY TO BE EVEN MORE ACUTE THAN AT PRESENT, EXACERBATED BY THE WEST'S RESPONSE TO MARTIAL LAW. THE AUTHORITIES HAVE SHOWN LITTLE SIGN SO FAR OF THEIR ABILITY TO REMEDY THESE PROBLEMS, ALTHOUGH ACTION IS IN HAND TO PROMOTE OUTPUT IN A FEW PARTICULARLY IMPORTANT SECTORS. THE DESPERATE ATTEMPTS BY THE GOVERNMENT TO COUNTERACT THE HOARDING OF FOOD BY PRIVATE FARMERS COULD HAVE SERIOUS LONG-TERM CONSEQUENCES FOR AGRICULTURAL OUTPUT.

CONCLUSION

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11. MARTIAL LAW IS ABOUT TO ENTER ITS SEVENTH WEEK. CARRIED OUT WITH RUTHLESS EFFICIENCY, IT BROUGHT A BICKERING COUNTRY QUICKLY UNDER THE HEEL OF THE MILITARY AUTHORITIES. BUT THAT IS SO FAR THE SUM TOTAL OF ITS ACHIEVEMENTS. IT HAS CRUSHED SOLIDARITY BUT HAS PUT NOTHING IN ITS PLACE- THERE IS NO-ONE FOR THE GOVERNMENT TO TALK TO ON THE GOVERNMENT'S TERMS, AND THE GOVERNMENT REFUSES TO TALK TO ANYONE ON ANY OTHER TERMS. THE OPPOSITION OF THE CHURCH IS BECOMING MORE APPARENT AND SOLIDARITY IS BEGINNING TO REORGANISE ITS STRENGTH. THE POLITICAL STERILITY OF THE REGIME IS EVIDENT TO ALL. THERE HAS BEEN NO SIGNIFICANT RELEASE OF DETAINEES AND OPPRESSIVE VERIFICATION PROCEDURES SEEM TO BE SPREADING. MARTIAL LAW CONTINUES, WITH ONLY COSMETIC RELAXATION. ITS EFFECTS ARE PROBABLY NOT MORE OPPRESSIVE NOW EXCEPT IN THE SENSE THAT EVERYDAY WITHOUT RELAXATION IS A DAY LOST. THERE IS NOT MUCH FOR THE POLE IN THE STREET TO LOOK FORWARD TO AT THE MOMENT. LIFE IS BLEAK, COLD AND NASTY.

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(REPEATED AS REQUESTED)

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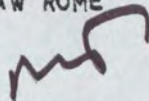
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TO IMMEDIATE F C O

TELEGRAM NUMBER 206 OF 22 JANUARY

INFO IMMEDIATE UKDEL NATO PARIS BONN PRIORITY MOSCOW WARSAW ROME
ROUTINE OTHER NATO POSTS. POLAND, THE USA AND THE ALLIANCE

1. LET ME TRY TO TAKE STOCK OF WHERE THE US GOVERNMENT ARE HEADING OVER POLAND, THE MOTIVES FOR THEIR ACTIONS AND THE CONSEQUENCES FOR THE ALLIANCE.

2. YOU WILL HAVE NOTICED THE CONVICTION THE AMERICANS HAVE THAT THE SITUATION IN POLAND IS DETERIORATING. THEY DO NOT SEE MUCH PROSPECT, WHATEVER THEY DO, OF MARTIAL LAW BEING QUICKLY ENDED, DETAINEES RELEASED AND A DIALOGUE RESUMED WITH SOLIDARITY. HEREIN LIES THE DIFFERENCE BETWEEN THEIR VIEW AND THAT OF THE EUROPEANS WHO BELIEVE THAT ALL IS NOT COMPLETELY LOST IN POLAND, AND THAT, EVEN IF IT IS PRETTY HOPELESS, IT IS BETTER TO BEHAVE AS THOUGH THERE STILL IS SOME ENTITY IN POLAND THAT IT IS WORTH HAVING DEALINGS WITH.

3. THE US VIEW IS INCREASINGLY THAT THEY MUST SHOW THE SOVIETS UNEQUIVOCALLY THE UNACCEPTABILITY OF WHAT IS HAPPENING IN POLAND AT SOVIET INSTIGATION, THAT THE SOVIETS MUST BE PUNISHED AND THAT THIS PUNISHMENT MUST BE SUCH AS WILL DETER MOSCOW FROM UNDERTAKING ANYTHING COMPARABLE IN THE FORESEEABLE FUTURE.

4. YOU WILL HEAR A LOT ABOUT VARIOUS PRESSURES AT WORK UPON THE ADMINISTRATION: YOU WILL KNOW OF KISSINGER'S CRITICISM: AND THERE IS UNDOUBTEDLY A WIDESPREAD FEELING IN THIS COUNTRY THAT THE GOVERNMENT CANNOT JUST SIT BACK AND LET POLAND BE CRUSHED. I WOULD NOT SAY THAT THE CONGRESSIONAL ELECTIONS AT THE END OF THIS YEAR ARE A DOMINANT FACTOR IN US DECISION MAKING ON THIS ISSUE. WHAT IS UNDOUBTED IS THAT THE AMERICAN PUBLIC IS WORKED UP AND THAT THE REAGAN ADMINISTRATION HAVE TO GIVE PRACTICAL FULFILLMENT TO THEIR COMMITMENT TO STAND UP TO THE RUSSIANS AND NOT TO ACQUIESCE IN THE FURTHER SPREAD OF SOVIET INFLUENCE. THE AMERICANS ARE AWARE OF THE SCEPTICISM OF THEIR ALLIES ABOUT THE EFFICACY OF SANCTIONS. AS I SUGGEST, THEY DO NOT CLAIM THAT EVEN IF FULLY IMPLEMENTED THEY WOULD ARREST THE CRACKDOWN IN POLAND BUT THEY DO BELIEVE THAT THE SOVIET UNION AND THE EASTERN BLOC ARE IN A PARTICULARLY VULNERABLE ECONOMIC SITUATION AND THAT A CONCERTED EXERCISE OF ECONOMIC PRESSURE AT THE PRESENT TIME COULD GIVE THE RUSSIANS A HIDING THAT THEY WOULD NOT FORGET FOR A LONG TIME.

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5. TO THE ARGUMENT THAT THE EUROPEAN ALLIES WILL SUFFER MORE FROM THE IMPOSITION OF SANCTIONS THAN THE USA, THE AMERICANS, FROM A WIDE POLITICAL SPECTRUM, WILL RETORT THAT THAT IS ALL VERY WELL BUT THEY, THE EUROPEANS, WILL TEND TO SUFFER MOST IF THE SOVIETS CAN GET AWAY WITH YET ANOTHER VICTORY IN EUROPE AND THAT IN ANY EVENT THE PATH OF ECONOMIC INVOLVEMENT WITH THE COMMUNIST BLOC IS A HOSTAGE TO FORTUNE. THEY ARE, HENCE, UNSYMPATHETIC TO THE GAS PIPELINE, ASSERTING THAT REGARDLESS OF THE PRESENT POLISH ISSUE, THE EUROPEANS WILL BE LAYING UP TROUBLE FOR THEMSELVES IN THE FUTURE IF THEY BECOME HEAVILY DEPENDENT UPON SOVIET GAS. TO COUNTER BY SAYING THAT THIS ECONOMIC INTER-DEPENDENCE BETWEEN THE SOVIET BLOC AND THE WEST WAS AT THE CORE OF DETENTE POLICY PROMPTED BY THE US GOVERNMENT IS TO INVITE THE COUNTER ARGUMENT THAT THAT WAS KISSINGERISM IN WHICH FEW IN THE UNITED STATES NOW BELIEVE.

6. WHAT THEN IN PRACTICAL TERMS DO THE US HAVE IT IN MIND TO DO AS THEIR NEXT STAGE OF ECONOMIC PRESSURE AGAINST THE SOVIET UNION? THERE IS MUCH TO-ING AND FRO-ING ABOUT THE GRAIN ISSUE AND IT IS DIFFICULT TO BE CATEGORICAL ABOUT US INTENTIONS. BUT ON PRESENT EVIDENCE IT DOES NOT LOOK AS THOUGH THE AMERICANS INTEND GOING IN FOR A COMPLETE GRAIN EMBARGO. THIS IS NOT ONLY BECAUSE OF THE ECONOMIC AND POLITICAL DIFFICULTIES OF DOING SO, BUT ALSO BECAUSE THEY KNOW THAT IT WOULD BE CIRCUMVENTED BY GRAIN EXPORTS FROM CANADA, ARGENTINA, ETC. NOR WILL THEY SEVER ALL DIPLOMATIC CONTACTS WITH THE SOVIET UNION EVEN ASSUMING, AS IS LIKELY, A DUSTY MEETING BETWEEN GROMYKO AND HAIG ON THE 26TH. THEY WILL NOT SET A DATE FOR THE OPENING OF START TALKS BUT ON PRESENT RECKONING THEY WILL CONTINUE WITH THE INF MEETINGS. THEY ALSO HOPE TO HAVE THE CHANCE AT MADRID ON THE 9TH TO LAMBAST THE SOVIETS ACROSS THE TABLE.

7. WHAT THEY ARE CONSIDERING ON THE ECONOMIC SIDE IS TO EXTEND THE EXISTING MEASURES TO COVER A WIDER RANGE OF EXPORTS, IN PARTICULAR ALL THOSE FOR THE OIL AND GAS INDUSTRIES, AND APPLYING THEM TO US SUBSIDIARIES OVERSEAS AND TO MANUFACTURE UNDER LICENCE IT SEEMS UNLIKELY THAT ANY EXCEPTIONS WILL BE TOLERATED FOR ITEMS HITHERTO OBTAINED FROM THE USA AND DESTINED TO GO TO THE SOVIET UNION UNDER EXISTING CONTRACTS.

8. IN ADDITION, THEY ARE CONSIDERING INVOKING THE SO-CALLED TANK CLAUSE WHICH WILL MEAN IN PRACTICE PUSHING POLAND INTO FORMAL DEFAULT ON ITS DEBTS. THEY CALCULATE THAT THE CONSEQUENCE OF THIS WOULD BE TO CAUSE OTHER CREDITORS TO TAKE SIMILAR ACTION. IN TURN THIS WOULD PROVOKE THE BANKS INTO DECLARING POLAND IN DEFAULT ON BANK CREDITS WHICH WOULD BE LIKELY TO RESULT IN DENIAL OF SHORT TERM CREDIT FOR OTHER EASTERN EUROPEAN COUNTRIES, PARTICULARLY ROMANIA, CZECHOSLOVAKIA AND YUGOSLAVIA. THEY ALSO RECOGNISE THAT SUCH ACTION WOULD BE VERY COSTLY FOR THE GERMAN BANKING SYSTEM IN PARTICULAR.

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9. AS YOU KNOW THEY ARE ALSO SEEKING TO TIGHTEN UP COCOM.

10. THE AMERICANS WOULD CERTAINLY LIKE TO COORDINATE THEIR ACTIONS WITH THOSE OF WESTERN EUROPE. THEY HAVE SAID REPEATEDLY THAT THERE WILL BE CONSULTATION BEFORE THEY MOVE. BUT IN THEIR PRESENT MOOD IT WOULD BE FOOLHARDY TO ASSUME THAT IF THE EUROPEANS OBJECT, OR DO NOT WISH TO GO ALONG THE SAME SORT OF PATH, THEY, THE AMERICANS, WILL REFRAIN FROM DOING SO. HAIG HAS ALWAYS SAID THAT WHATEVER THE OUTCOME FOR POLAND OF PRESENT EVENTS IT MUST NOT LEAD TO THE IMPAIRMENT OF THE ALLIANCE. THIS IS CERTAINLY THE AMERICAN DESIRE BUT UNLESS THE EUROPEANS MAKE SOME SORT OF NOISES AND TAKE SOME SORT OF MEASURES THAT CAN BE REGARDED HERE AS IMPINGING UPON THE SOVIETS I DO NOT SEE HOW SIGNIFICANT DAMAGE IS GOING TO BE AVOIDED, AND I AM NOT SURE THAT IT DOES GOOD TO AGONISE OVER WHETHER IT WILL BE THE EUROPEANS OR THE AMERICANS WHO ARE MOST TO BLAME. BUT I THINK THAT THE EUROPEANS SHOULD BE IN NO DOUBT THAT THEIR INTERESTS MAY SUFFER.

11. HITHERTO I HAVE TENDED TO TAKE A CONSERVATIVE VIEW ABOUT THE DEVELOPMENT OF MANSFIELD-LIKE TENDENCIES IN THIS COUNTRY BUT IN CIRCUMSTANCES IN WHICH THE EUROPEANS WERE BEING HIGHLY CRITICISED BY THE AMERICANS FOR INADEQUATE RESPONSE TO THE SOVIET UNION, AND WHEN THERE IS A READINESS IN THE CAPITALS OF EUROPE TO INDULGE IN SUPERIOR CRITICISM OF THE AMERICANS COUPLED WITH DEMONSTRATIONS OF UNILATERALISM, IT WOULD BE UNWISE TO ASSUME THAT ANTI-EUROPEAN TENDENCIES WILL NOT DEVELOP IN THIS COUNTRY.

12. LOOKING A LITTLE FURTHER AHEAD IT IS A FAIR ASSUMPTION THAT WASHINGTON AND MOSCOW, UNLESS THEY GO TO WAR, ARE EVENTUALLY GOING TO ENGAGE IN SOME SORT OF DIALOGUE. WHAT WE MUST AVOID SURELY IS A STATE OF AFFAIRS IN WHICH THEY DO SO OVER THE HEADS OF AND WITHOUT REGARD TO WESTERN EUROPE, A DANGER THAT COULD BE ENHANCED IF EUROPE HAD, IN AMERICAN EYES, ABDICATED ITS RESPONSIBILITIES OVER THE ISSUE OF POLAND. THE TEMPTATION THAT EXISTS IN EUROPE AT THE PRESENT TIME TO MAKE SOME SORT OF PARALLEL BETWEEN EL SALVADOR AND POLAND AND TO SUGGEST THAT WHAT THE RUSSIANS ARE DOING IN POLAND IS NOT ALL THAT DIFFERENT FROM WHAT THE AMERICANS ARE TRYING TO DO IN CENTRAL AMERICA, HAS THE EFFECT OF INFURIATING THE AMERICANS WHO DO NOT HAVE ANY DIVISIONS IN CENTRAL AMERICA.

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13. OF ALL THE DANGEROUS SHIFTS THAT SEEM TO ME TO BE STIRRING IN THE ALLIANCE THE MOST DISTURBING AT THE PRESENT TIME IS THE EVOLUTION OF GERMAN OPINION AND THE REACTION OF THE AMERICANS TOWARDS IT. TO SAY THAT THERE IS COMMON INCOMPREHENSION IS UNHELPFUL, HOWEVER TRUE. BUT JUST AS, FOR A LONG TIME, THE AMERICANS LOOKED UPON THE GERMANS AS THE SHEET-ANCHOR OF THE DEFENCE OF WESTERN EUROPE, SO THE NEW TENDENCIES IN THE FEDERAL REPUBLIC, NOT TO MENTION THE SCATHING CRITICISMS BY THE CHANCELLOR ABOUT THE AMERICANS AND THEIR ARMED FORCES, WILL PLAY INTO THE HANDS OF THOSE HERE WHO TOY WITH THE IDEA OF SOME REDUCTION OF US MILITARY INVOLVEMENT IN EUROPE.

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Colin Suter 22./1

FOREIGN AND COMMONWEALTH OFFICE

LONDON, SW1A 2AH



ECD (1)

cc PS

Mr Henshaw

EESD

Editor. WSI

22/1/82

Bland

FCS/82/13

MINISTER FOR AGRICULTURE, FISHERIES AND FOOD

Polish Crisis: Factory Fishing

1. As Mr Henshaw records in his letter of 18 January to Lord Bridges, it was agreed by officials at the MISC 51 meeting on 14 January that the new licensing system for receiving (factory) vessels could be used to discriminate against Soviet vessels as part of a wider package of measures against the Soviet Union in the Polish context.
2. As I have said in my minute of 20 January to the Prime Minister, I should like to be in a position to inform our allies in NATO on 23 January that this particular measure is one we are definitely prepared to take. I should also like to be able to announce at least some of the measures we propose taking as soon as possible. The other course, issuing the licenses and then recovering them has several disadvantages: it looks silly and infirm of purpose; and it could be difficult to give effect to immediately because of the time revocation might take and the demands of our fishermen for the implementation of what would by then have become 'existing' contacts.
3. I am therefore writing to seek your agreement that, instead of revoking licenses after their issue, we should not issue licenses at all to the seven factory vessels which we are proposing to exclude. This would presumably involve instructing fisheries offices to refer all licence applications from Soviet and Eastern European vessels (to take into account possible flag switching) to MAFF. The final decision in individual cases would be taken by MAFF officials in close consultation with FCO officials.



4. We cannot tell the Soviet applicants that we are rejecting their applications until we have taken a decision to do that, either as part of our package of measures against the Soviet Union and Poland or separately. Either way we should aim to announce before 1 February. Until we are ready to decide/ announce, we could take the line with the Soviet applications we intend to reject that they are still under consideration.

A handwritten signature in dark ink, appearing to be 'C' with a horizontal stroke underneath.

(CARRINGTON)

Foreign and Commonwealth Office

Foreign and Commonwealth Office document

Reference Diplomatic Report No. 94/82

Description MARTIAL LAW IN POLAND I:

THE GATHERING STORM

Date 22 January 1982

The above FCO document, which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed Wayland

Date 25 October 2012

PREM Records Team

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TO IMMEDIATE DISTRESSFCO

TELEGRAM NUMBER DISTRESS 24 OF 22 JANUARY

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MY DISTRESS 23: MISKIW

1. WE DREW ANOTHER BLANK YESTERDAY WHEN WE APPROACHED THE PASSPORT AUTHORITIES, WHO REFERRED US TO THE MINISTRY OF THE INTERIOR. THEY IN TURN PASSED US ONTO THE MFA WHERE IN FACT WE STARTED A WEEK AGO. SINCE 4 PM YESTERDAY WE HAVE BEEN TRYING TO SET UP A JOINT MEETING BETWEEN ACTING HEAD OF CHANCERY AND HM CONSUL AND REPRESENTATIVES OF THE CONSULAR AND POLITICAL DEPARTMENTS IN THE MFA, BUT WITHOUT SUCCESS SO FAR. THE DESK OFFICER IN DEPARTMENT 4 HAS NOW TELEPHONED WITH SOME HOPE OF A DEVELOPMENT LATER THIS AFTERNOON.

2. ALTHOUGH WE CANNOT EXCLUDE THE POSSIBILITY THAT WE ARE BEING DELIBERATELY GIVEN THE RUN-AROUND, I AM STILL INCLINED TO BELIEVE THAT THE POLES JUST DO NOT KNOW WHAT TO DO. MARTIAL LAW HAS IMPOSED ENTIRELY NEW RULES AND CRITERIA ON OFFICIALDOM HERE AND THE NATURAL RELUCTANCE OF POLISH OFFICIALS TO ACCEPT RESPONSIBILITY HAS BEEN CORRESPONDINGLY REINFORCED. THE MISKIW CASE REPRESENTS A HOT POTATO WHICH NO-ONE WANTS TO HANDLE.

3. WE WILL CONTINUE TO PRESS HARD AT THIS END AND I RECOMMEND THAT WE WAIT TO SEE WHETHER THE POLES COME UP WITH ANYTHING TODAY. I AM STANDING READY TO GO INTO THE MFA MYSELF AND, IF NOTHING HAS HAPPENED BY MONDAY, I WOULD SUGGEST THAT THE POLISH EMBASSY IN LONDON MIGHT BE SUMMONED.

4. MISKIW REMAINS FIT. WE ARE KEEPING HIM INFORMED.

MELHUI SH

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Prime Minister

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22 January 1982

F.A.

A.T.C. 24/1

F N Richards Esq.
Foreign and Commonwealth Office

New Francis,

POLAND

The Chancellor has seen your letter of 13 January to John Coles at No 10. He welcomes your Secretary of State's suggestion that the UK should promote action within the OECD Export Credit Consensus to harden the terms of export credit to the Russians by reclassifying the USSR as a "relatively rich" country. Any saving in the subsidy cost of official export credit will be especially welcome in view of the substantial losses which ECGD currently faces on its East European involvement (principally but not exclusively Poland).

The Chancellor agrees with the Foreign Secretary that we should press this proposal forward in the current NATO examination of economic measures arising from the declaration of 11 January, and with our EC partners. The Chancellor took the opportunity of a recent meeting in Paris to sound out Regan and, less formally, Matthoefer, and senior French representatives, about this suggestion. Their initial reaction was favourable.

The Chancellor also supports the suggestion that we should not provide credit for UK suppliers to participate in any future Community offer of food aid to Poland.

As regards the public expenditure treatment of the UK share of any Community offer of humanitarian aid to Poland, the Chancellor understands that, at least as far as the current year is concerned, there is unlikely to be any difficulty in finding the UK share from within the existing total of the programmes for which your Secretary of State is responsible. For obvious reasons he would wish to avoid an increase in public expenditure. Perhaps officials could discuss this further when the precise scale of the UK contribution becomes clear.

I am copying this letter to the other recipients of yours.

Yours ever,
J.O. KERR

22 JAN 1982

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From the Private Secretary

22 January 1982

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The Prime Minister has seen the Foreign and Commonwealth Secretary's minute PM/82/5 of 20 January. She agrees with the conditions set out in its third paragraph. She also agrees that they are unlikely to be satisfied at the NATO meeting on 23 January. Even if they were, however, she would not think it right for officials to make the political judgement of what constituted broadly comparable measures by our allies. She considers it essential therefore that Ministers should be consulted before any firm commitment is made (as was suggested in the Secretary of State for Trade's Private Secretary's letter to me of 18 January). But she is content with the proposal in the fifth paragraph of Lord Carrington's minute, and also with the tactics suggested in his sixth paragraph.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Industry, Trade, Agriculture, Environment, Energy and Health & Social Security, and also to Sir Robert Armstrong.

J. COLES

Francis Richards, Esq.,
Foreign and Commonwealth Office.

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PART 6 ends:-

21.1.82

PART 7 begins:-

22.1.82

