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Rhodesia Situation Part II

N. Ireland Situation Part 5

USA: Visit of Mr Vance

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE UNITED STATES SECRETARY OF STATE, MR. CYRUS VANCE, AT 10 DOWNING STREET, ON MONDAY, 10 DECEMBER, 1979 AT 1030 HOURS

Present:

The Prime Minister
The Foreign and Commonwealth
Secretary
Mr. Michael Alexander

Mr. Vance
His Excellency The Honourable
Kingman Brewster

The Prime Minister asked to be brought up to date on the present situation. Mr. Vance said that the Iranian Foreign Minister, Mr. Qotzbadeh, would be sending a new representative to the United Nations in New York in the next day or so. There would then be discussions of further UN action with the aim that the UN, or the Secretary General, should set up a Commission to investigate the violation of human rights in Iran under the last regime. So far there was nothing new to report on the hostages. Mr. Qotzbadeh was taking the line that the fate of the hostages would be discussed when the Iranian representative returned to Tehran. The United States would be putting their case to the International Court of Justice in the Hague today. The Iranians did not intend to appear. A decision would probably be handed down within a few days. It was a foregone conclusion that the Court would grant interim relief and state that the hostages should be released. It was equally clear that the Court's judgment would be ignored.

Mr. Vance said that he was in daily contact with Yasser Arafat. The PLO had throughout been extremely helpful. They had been the principle force in bringing about the release of the thirteen hostages, and were continuing to play an active role. Arafat was having

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difficulty in deciding whether or not he should himself go to Iran to make a personal appeal to Khomeini. Crown Prince Fahd of Saudi Arabia was pressing him to do so. But for the moment he was saying that the odds in favour of success were not good enough.

Mr. Vance expressed profound gratitude on his own behalf and that of President Carter for what the British Government had done since the crisis began both in giving shelter to US staff and in other ways.

Mr. Vance said that the President was determined to exercise every peaceful means to secure the release of the hostages. The consequences of any other course of action both for the hostages and for everyone else could only be very grave. But the President did not wish the situation to become frozen into a stalemate. His strategy was to keep up the economic pressure on the Iranian regime. The pressure was already having effect. This was clear from the anxiety of the Iranians to secure the termination of the freeze on Iranian assets as part of any package solution. It was also clear from the fact that the Iranians had said that they wished to maintain relations with the United States. They could not do without spare parts from America for their oil industry and for the armed forces. There was no question of economic pressure bringing about collapse of the regime but the constricting effect was real.

The question which now faced US administration was how best to increase the economic pressure. They thought the answer lay in collective action. It would be essential at some stage to seek Chapter VII sanctions. These would flow naturally from the fact that the Iranians would soon be in defiance both of the Security Council resolution and a judgement on the International Court. Pending such action, it would be extremely helpful if America's allies could freeze Iranian assets in the way that the Americans had done. It was the cleanest and simplest way of approaching the problem. The justification would be that the Iranian Government was holding hostages in defiance of a Security Council resolution and, shortly, of a judgement of the International Court. It would be made clear that the freeze would be lifted as soon as the

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American hostages were freed. President Carter considered that collective action on these lines would have a strong effect.

Mr. Vance said that a possible alternative approach was to exploit the existence of cross default clauses in existing loans to Iran. This was the approach preferred by the Swiss and Italian Governments. The Prime Minister asked whether Iran was in default with the US banks because Iranian assets in the United States had been blocked. If so this default was a rather artificial one. Mr. Vance said that both kinds of default existed. It was because of the points the Prime Minister had made that he preferred a freeze. The Prime Minister said that the effects of the freeze on the banking system world wide could be devastating. It was the sort of action that had in the past only been taken in time of war. The British Government would have to pass legislation to take the necessary powers. Mr. Vance said that he had received advice that HM Treasury did have powers under existing instruments to freeze assets. (He gave the Prime Minister a copy of an opinion to this effect by Mr. Patrick Neill QC.) The Foreign and Commonwealth Secretary said that the advice he had received was that the Government had no powers at present to take the sort of action that the American Government had in mind. The difficulty about legislating to take the powers would be that the Iranians would withdraw all their assets before the legislation had been passed. It was agreed that the question of the Government's powers should be looked at urgently in the light of Mr. Neill's opinion.

Mr. Vance said that there was a meeting of international bankers going on in Basle at which the question of a freeze was being discussed. The Prime Minister said that this would be useful. It was essential to have the views of the banking community since uninformed decisions taken by politicians might cause lasting damage to the system as a whole. She was also concerned about the possibility of general Arab confidence in the banks being undermined with the result that they would be more inclined than ever to keep their oil in the ground. Mr. Vance said that he was confident that other Arab Governments would understand so long as a freeze was explicitly linked to the fate of the hostages, to the Security Council resolution

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and to the World Court's judgement. Mr. Brewster said that from his contacts with the Governor of the Bank of England and with the Treasury Solicitor he judged that they also thought that there would be fewer problems in taking action against ^{the} assets if such action were tied to the release of the hostages.

The Foreign and Commonwealth Secretary said that the British Government were anxious to do what they could and he personally considered that, if at all possible, we should respond to the US request for action against the assets. He did not exclude taking such action alone but he very much hoped it would be possible to do this in conjunction with the Nine. Britain was already the number two target of the Iranian Government. We did not wish to place our own people in Iran at even greater risk.

The Prime Minister agreed that every effort should be made to bring pressure on the Iranian regime. The alternatives were difficult to contemplate. But she also hoped that it would be possible to act in conjunction with others. She asked about the reactions that Mr. Vance had received so far. Mr. Vance said he would be talking to the Heads of Government in Paris, Rome and Bonn in the next 24 hours and to the Japanese Foreign Minister later in the day. The Japanese had been very unhelpful. They had been helping the Iranians to evade the effects of action taken by the US Government so far. He intended to speak very bluntly to the Japanese Foreign Minister. The Prime Minister said that she hoped the Germans and French would join in taking action.

Asked about the state of the hostages, Mr. Vance said that from all that he had heard they were in a bad state. They had been exposed to a sophisticated form of brainwashing. He did not know whether the hostages were all in the compound.

The Prime Minister asked Mr. Vance whether food supplies from the United States to Iran had been stopped. Mr. Vance replied that no food was going to Iran from East coast ports but some grain was still being shipped from the West coast.

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Rhodesia

The Prime Minister told Mr. Vance that it would be very awkward for her if when she arrived in Washington there was a British Governor in Salisbury but US sanctions against Rhodesia were still in operation. Mr. Vance indicated that he understood the point.

Arms for the Royal Ulster Constabulary

The Prime Minister said that she attached great importance to the issue by the US Government of licences for the supply of Ruger pistols to the Royal Ulster Constabulary. Mr. Vance said that President Carter would take no decision until he had discussed the matter with the Prime Minister.

The meeting ended at 1115.

Pms

10 December 1979

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