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DESKBY WASHINGTON, UKMIS NEW YORK 232000Z.

DESKBY TOKYO 240001Z

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TO FLASH BONN

TELNO 452 OF 23 DECEMBER

AND TO PARIS, ROME, BERNE, OTTAWA, IMMEDIATE TOKYO

INFO IMMEDIATE WASHINGTON, UKMIS NEW YORK, PRIORITY EEC POSTS.

MIPT

FOLLOWING IS TEXT OF U S NOTE:-

BEGINS

1. WE HAVE NOW RECEIVED ANSWERS FROM GERMANY, JAPAN, FRANCE, THE UK AND SWITZERLAND AND INITIAL RESPONSE FROM ITALY ON OUR REQUEST FOR FINANCIAL COOPERATION MEASURES VIS-A-VIS IRAN.

2. THERE APPEARS TO BE A CONSENSUS THAT GOVERNMENTS WOULD PRIVATELY ADVISE THEIR BANKS ON THE FOLLOWING MEASURES. IN SOME CASES GOVERNMENTS HAVE POINTED OUT THAT THE QUESTION IS ACADEMIC BECAUSE THEIR BANKS ARE NOW DOING IT ANYWAY BUT WE BELIEVE IT IMPORTANT THAT THE GUIDANCE SHOULD INCLUDE THESE TYPES OF ACTIVITY ANYWAY AND SHOULD BE UNIFORM:

(A) NO NEW CREDITS PRIVATE OR OFFICIAL TO IRAN OR IRANIAN GOVERNMENTAL ENTITIES (HEREINAFTER QUOTE IRAN UNQUOTE):

(B) TO REFUSE TO OPEN NEW DEMAND OR TIME DEPOSIT ACCOUNTS FOR IRAN:

(C) DECLINE TO ACCEPT SUBSTANTIAL INCREASES IN EXISTING NON-DOLLAR DEPOSITS BY IRAN.

3. THERE IS CONSENSUS THAT GOVERNMENTS WOULD STRONGLY ADVISE THEIR OIL COMPANIES TO INSIST TO CONTINUE PAYING FOR IRANIAN OIL IN DOLLARS.

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4. ALTHOUGH ALL COUNTRIES APPEAR TO AGREE THAT THEY SHOULD ENCOURAGE THEIR BANKS TO REQUIRE PUNCTUAL PAYMENTS BY IRAN OF PRINCIPAL AND INTEREST, SOME COUNTRIES ARE RELUCTANT TO ADVISE BANKS ON WHICH FOLLOW-UP MEASURES TO TAKE AS A RESULT OF THOSE LOANS BEING IN TECHNICAL DEFAULT.

5. ALL COUNTRIES SUBJECT TO CERTAIN CAVEATS BY THE UK AND JAPAN ARE IN AGREEMENT THAT THEY WOULD STRONGLY RECOMMEND TO THEIR OIL COMPANIES THAT THEY SHOULD REFUSE TO PURCHASE OIL DIRECTLY FROM IRAN AT TERMS SHARPLY DIFFERENT FROM THOSE OFFERED BY OTHER OPEC COUNTRIES (RECOGNIZING THAT THIS DOES NOT PRECLUDE PURCHASE OF IRANIAN-ORIGIN OIL IN REGULAR SPOT MARKETS).

THE UK BELIEVES THAT THIS ACTION SHOULD BE PART OF QUOTE EFFECTIVE AND CONCERTED ARRANGEMENTS MADE BY ALL MAJOR OECD AND IEA COUNTRIES WHICH COVER SPOT MARKET TRANSACTIONS AS WELL AS PURCHASES BY THE OIL COMPANIES. UNQUOTE

TO CLARIFY THE CONSENSUS WHICH WE BELIEVE WOULD BE CONSISTENT WITH THE UK POINT, WE COULD REWORD THE UNDERSTANDING TO READ AS FOLLOWS: THAT ALL MAJOR OECD COUNTRIES (NAMELY, UK, GERMANY, FRANCE, JAPAN, ITALY, CANADA AND, OF COURSE, THE US) WOULD STRONGLY RECOMMEND TO THEIR OIL COMPANIES THAT THEY SHOULD REFUSE TO PURCHASE EITHER CONTRACT OIL OR SPOT OIL DIRECTLY FROM IRAN ON TERMS SHARPLY DIFFERENT FROM THOSE OFFERED BY OTHER OPEC COUNTRIES --- THIS WOULD STILL PERMIT PURCHASE OF IRANIAN-ORIGIN OIL WHERE THE PURCHASE IS NOT MADE DIRECTLY FROM NIOC, BUT UNDER TERMS THAT ARE CONSISTENT WITH THE AGREEMENTS REACHED AT THE TOKYO SUMMIT AND IN THE IEA.

6. THE URGENT IMPORTANCE OF DEMONSTRATING ALLIED SOLIDARITY AND THE FACT THAT THE US IS INITIATING A CHAPTER 7 ACTION IN THE UN SECURITY COUNCIL BUT WHOSE FINAL CONTENT IS NOT PREDICTABLE MAKES IT ADVISABLE

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THAT WE ALL GO AHEAD NOW WITH THE CONSENSUS THAT EXISTS IN 2A, B, C, 3 AND 5. IN REGARD TO PARAGRAPH 4, WE RECOGNIZE THAT AS PART OF THIS PACKAGE THE COOPERATING GOVERNMENTS WILL GIVE PRIVATE GUIDANCE TO THEIR BANKS ENCOURAGING THEM TO REQUIRE PUNCTUAL PAYMENTS BY IRAN OF PRINCIPAL AND INTEREST BUT WILL NOT ADVISE THEIR BANKS TO FOLLOW UP MEASURES.

7. IF THERE IS NO OBJECTION TO THE ABOVE SET OF MEASURES, THE TWO REMAINING QUESTIONS ARE THE TIMING ON WHEN GOVERNMENTS ADVISE THEIR BANKS AND OIL COMPANIES ALONG THE ABOVE LINES AND THE QUESTION OF PUBLICITY. WE SUGGEST THAT IN VIEW OF THE HOLIDAYS THAT THE TIMING OF THESE ACTIONS BE WEDNESDAY, DECEMBER 26, FOR THOSE GOVERNMENTS THAT HAVE NOT ALREADY ACTED.

IN REGARD TO THE PUBLICITY ASPECTS, WE SUGGEST THAT THERE BE NO ANNOUNCEMENTS OF THESE ACTIONS AND THAT IF THERE ARE LEAKS BY THE PRIVATE PARTIES INVOLVED TO THE PRESS WHICH WE ASSUME WILL HAPPEN, THAT GOVERNMENTS CONFINE THEMSELVES TO STATING THAT CERTAIN MEASURES OF FINANCIAL COOPERATION ARE BEING TAKEN IN SOLIDARITY BY THE MAJOR DEMOCRACIES BUT THEY ARE NOT PREPARED TO GIVE ANY DETAILS.

8. PLEASE TELEPHONE TONY SOLOMON THROUGH THE TREASURY OPERATOR (202) 566-2120 OR DICK COOPER THROUGH THE STATE OPERATOR (202) 632-1512 IF YOU HAVE QUESTIONS OR COMMENTS THAT YOU PREFER TO DO BY PHONE RATHER THAN BY CABLE.

CARRINGTON

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ECON.

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