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C. Treasury records.

NOTE FOR THE RECORD

Sanctions Against Iran

The Prime Minister held a meeting this afternoon in her room at the House to discuss the situation with regard to the application of sanctions by HMG against the Government of Iran. The meeting was attended by the Foreign and Commonwealth Secretary, the Lord Privy Seal, the Secretary of State for Trade, the Secretary of State for Industry, the Chief Whip, the Chancellor of the Duchy of Lancaster, the Attorney General and Mr Douglas Hurd.

It was agreed that, in the light of the reception given in the House of Commons to the Lord Privy Seal's statement earlier in the afternoon, the Government faced a difficult choice. On the one hand they were publicly committed by the agreement reached by the Foreign Ministers of the Nine in Naples the previous day to include within the scope of any sanctions order contracts signed since 4 November. On the other hand it seemed clear that any attempt to introduce retrospection into an order would risk defeat in the House, either immediately or when the affirmative order was placed before it. A motion of censure was also a possibility.

In subsequent discussion it was agreed that while the Minister of State had been careful to leave open during the debate in the House the previous week the possibility of action under the 1939 Act which would have applied to existing contracts, the implication of much of what had been said was that there would be no retrospection. The Government might be able to defend itself on the letter of what had been said but would clearly be in breach of the spirit of the debate in taking 4 November as the starting point. The door might have been kept open but no-one had expected to have to use it.

There was some discussion as to whether it would be possible to lay an order dealing with new contracts while adding that if our partners made it clear that they were going to back-date their legislation, we would lay a draft order before the House on similar lines. However, it was pointed out that the problem lay with the principle of retrospection. It made little difference whether the Government laid an order at once or merely kept open the possibility of doing so.

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If the Government failed to give a clear undertaking that there would be no retrospection, it was likely to be defeated however the matter was presented.

The meeting therefore concluded that it was faced with the choice of either abandoning the attempt to cover contracts concluded between 4 November and mid-May or to press ahead with the attempt in the knowledge that it would be defeated. The Foreign and Commonwealth Secretary said that in this situation he thought it better to abandon the attempt. He did not like doing this but he thought the situation in Brussels could be handled.

The Prime Minister said it had been agreed that an order would be made making it clear that sanctions would be applied only to contracts entered into from the date of the order. In announcing this it would be made clear that the Government had taken account of the attitude of the House of Commons and in particular of Members' strong feeling that retrospective action against contracts entered into since 4 November would be in conflict with the spirit of the previous week's debate. The Foreign and Commonwealth Secretary said that he would take action immediately to inform our European partners and the US Government of the Government's decision.

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