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*Original on:
Iran: Sit'n: Pt 4*

SOUTH WEST ASIA

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

PRESENT

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

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

Iran

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

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

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

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

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

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

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

It was agreed

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

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

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

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

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

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

Afghanistan

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

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

It was agreed

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

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

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

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

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

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

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

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

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

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

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

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

The Meeting -

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

Cabinet Office

18 January 1980