



2 pps - see below

From the Secretary of State

CONFIDENTIAL

Michael Alexander Esq  
Private Secretary  
10 Downing Street  
London, SW1

Summary of Mr. Nott's views as  
put to OD.

NBPN

Hand 20/4  
25 April 1980

Dear Michael,

IRAN

.... After the OD meeting yesterday my Secretary of State asked me to send to you the attached Aide Memoire on the main concerns in his mind about the introduction of economic sanctions against Iran.

I am sending copies of this letter and enclosure to George Walden (FCO), John Wiggins (Treasury), Ian Ellison (Industry) and David Wright (Cabinet Office).

Yours sincerely,

Stuart Hampson

S HAMPSON  
Private Secretary

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IRAN: ECONOMIC SANCTIONS

Community Action

1 The United Kingdom has been portrayed as taking the lead in seeking action to support the United States. This will focus any recriminations on us.

2 There is no agreement yet among the Nine about precise economic sanctions to be introduced in Stage 2. France, Germany and Italy want the ban on exports to affect only contracts concluded after 22 April. The United Kingdom and the rest have proposed stopping existing contracts too.

3 There are practical difficulties in adopting the French/German/Italian line, eg in deciding when contracts were concluded. But there is no point in insisting on our own approach and continuing to attract the odium of Iran. The alternative would preserve the Talbot contract and some chance of recovering debt, while our proposals at Luxembourg will have carried some credit with the Americans.

Timing

4 We should keep some flexibility after 17 May. It is unrealistic to expect Iranian movement before the new Assembly meets.

5 Sanctions should be implemented by the Community countries and Japan simultaneously.

Cost of Sanctions

6 ECGD's total liabilities on Iran are about £550m. It is forecast that ECGD's income from premiums this year will be exactly offset by expenditure on payment of claims. Any deterioration in the prospects for Iran will therefore threaten the PSBR.

Compensation

7 Refusal to pay compensation will be particularly resented by British private sector firms

- if the Americans decide to pay compensation to their firms;
- if we continue to refuse to block Iranian assets in London, especially if there is evidence that the Iranians are withdrawing their funds from London;
- if action is taken to cushion the effect on Talbot and British shipbuilders for a loss of their sales.



Policing

8 Whatever legal powers we have, it will be impossible to police sanctions in third countries. Large volumes of goods enter Iran through Dubai, Kuwait and other Gulf ports, and it is virtually certain that this traffic will increase if sanctions are imposed. Grave damage could be done to our exports to these markets if we were to attempt to control the eventual destination of goods sent there.

9 We do not wish to find ourselves having to mount a "Beira patrol".

Department of Trade  
25 April 1980



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