



PRIME MINISTER

IRAN SANCTIONS

Ian Gilmour, Douglas Hurd, Tom Trenchard and I met this afternoon to discuss the detail of the trade sanctions to be taken against Iran.

Our main objective is to present a credible demonstration of support for the Americans whilst not doing lasting damage to our trade. In particular, we should do no more than our European partners. At the meeting in Brussels yesterday all the other Member States said that they would be implementing today the sanctions against Iran in accordance with the Naples decision. They will act retrospectively in the case of contracts signed since 4 November. There is, however, a real risk that the other Member States will talk tougher but will use administrative discretion to operate the ban with total flexibility.

Our conclusion was that the sanctions order should prohibit the sale or supply of embargoed goods to Iran with two exceptions:

- a) exports made under contracts entered into before the date on which the order takes effect;
- b) goods exported "pursuant to a course of business dealing" existing immediately before the introduction of sanctions.

This second exemption will require us to explain in notes for guidance what is meant by "a course of business dealing". We are thinking of traders who have regularly and for a significant period been supplying an Iranian customer with goods. We considered whether to remove any

*I hope the chief-ship
has been consulted r
Prime Minister*

(2)

*MT. Phil
This minute was copied to him.*

19. Phil 27/5



uncertainty on this point by requiring pre-export licensing but decided that the administrative burden and disruption to our trade that would be involved was not acceptable. Instead we shall rely on exporters making Customs declarations that the export of the goods is in conformity with the order. Customs will carry out spot checks on a sample at some time after the goods have been exported and will seek documentary evidence to prove that there is an existing contract or that a course of business dealings really is established. In cases where there are grounds for believing that abuse is taking place the Department will carry out further investigation and consider whether prosecution is appropriate. This will require only a small addition to our export licensing staff.

We considered whether it was sufficient to introduce a single order under the 1980 Act or whether we should also make an order under the 1939 Act. My initial view was that a single order under the new powers was adequate but this does leave the loophole through which goods could be purchased for delivery in the UK and subsequently exported by the buyer as his property. I am also conscious that a decision not to use the 1939 Act would make it appear to the House that earlier references to using this Act showed that we had intended all along to apply sanctions retrospectively. It would be possible to introduce as a first step an order under the 1980 Act and to keep the 1939 powers in reserve in case abuse through the loophole I have described proved significant, but we concluded that the balance of argument was for using both Acts and taking both orders at the same time.



Food, medicine and supplies strictly for medical purposes are excluded from sanctions as provided for in the UN resolution. We have decided that we should also exclude trade where the contract is made in the UK but the goods or services themselves are supplied from outside the UK (the main examples are the commodity markets and cross-trading by UK ships). We have the preponderant interest in the Community in this type of trade and sanctions would hurt us much more than our partners.

Officials of this Department and of the FCO will now prepare the two orders. Subject to your agreement I would propose that we should not rush to make them at a special meeting of the Privy Council tomorrow but that rather we should make an announcement immediately that the orders will be made next Thursday. It was clear at the Brussels meeting yesterday that the Eight would be content if we were able to commit ourselves today to an implementation date next week. I would expect Ministers of this Department to take responsibility for the orders in Parliament.

*Lord Carrington
hopes it will
be possible to
act on
Wednesday.
And*

I am sending copies of this minute to all members of OD, to Keith Joseph, Michael Havers, Norman St John Stevas, Michael Jopling and to Sir Robert Armstrong.

SN

J. N.



22 JAN 1960

