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Ref. A02012

PRIME MINISTER

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OD: Iran

BACKGROUND

The main purpose of this meeting is to provide the Foreign and Commonwealth Secretary with an opportunity to report on the outcome of the meeting of Community Foreign Ministers in Luxembourg on 22nd April. I understand that it was his intention to circulate a short paper but it now seems unlikely that this will happen in time for it to be properly considered at the meeting. There is some unease, particularly in the Departments of Trade and Industry, that we may be committing ourselves to a more expensive course of action than we fully appreciate. The Secretary of State for Trade has today circulated an OD paper about the economic costs of sanctions which suggest that the direct cost of stage 2 sanctions may involve loss of exports worth £350-£400 million a year.

HANDLING

2. You will wish to invite the Foreign and Commonwealth Secretary to report on the outcome of the Luxembourg meeting.

3. You could then invite the Chief Secretary (in the absence of the Chancellor of the Exchequer), the Secretary of State for Trade, and Lord Trenchard (in the absence of the Secretary of State for Industry) to comment on the economic implications of the present position. You could then invite the Chief Whip (in the absence of the Chancellor of the Duchy of Lancaster) to comment on the legislative implications and the Solicitor General (in the absence of the Attorney General) on the legal implications, particularly in regard to possible claims for compensation.

CONCLUSION

4. Ministers will not be fully briefed for this meeting, and in any case the relevant work which was set in hand at the OD meeting on 15th April has not yet been completed. For these reasons you will probably not want to take specific



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decisions on this occasion. Instead you might sum up the meeting to reflect the general position that has been expressed, and invite officials to produce a comprehensive report on the implications of the Foreign and Commonwealth Secretary's statement, taking account of the work already set in hand at the OD meeting on 15th April, for further consideration at a later meeting of OD.

(Robert Armstrong)

23rd April, 1980