



PRIME MINISTER

POLAND: POSSIBLE SANCTIONS

(2)

ms

Prime Minister

Substance of doubtful about the usefulness of trade sanctions in the event of a ~~new~~ Soviet intervention in Poland.

And

The Chancellor's minute to you of 19 February reinforces the point that it might prove necessary for us to meet at short notice to deal with a very serious situation. The exercise has been carried out as part of our contingency planning, and obviously we will have to gauge our response to the extent of Soviet aggression. I must say, however, that in most situations which might arise I would judge trade sanctions a fairly empty gesture - particularly if we follow the sort of formula we adopted in respect of Iran. (You will recall that when we imposed sanctions on Iran the House insisted that there should be no interference with existing contracts, or with activities under framework agreements or other clearly defined continuing relationships.) I think, however, that we would have support in following a stronger line in the wake of Russian intervention, although we would have to look to the Chief Whip to advise on this.

If we are faced with events which require a relatively low-key response, I think it is right that we think carefully about both the economic as well as the political implications of actions which we might want to take. The Chancellor has pointed to implications of financial sanctions and I share his concern about the vulnerability of the United Kingdom as a major world financial centre. In conjunction with this we need to consider the consequences of a trade embargo.

We live more by trade than most of our allies and I remain firmly of the basic view that, short of war or sanctions under a mandatory United Nations resolution, responses in the trade field are not for us the best answer to international political problems. I would be very concerned that our action should be closely in line with our allies. The French and Germans would be only too happy to push us out in front and so minimise the cost to themselves, both while the sanctions remained in force and in choosing when to relax them.



Moreover, we should bear in mind that starting trade sanctions is very much easier than stopping them. In the case of Iran we had a clear and identifiable objective, but would we continue sanctions in this case as long as Russian troops remained in Poland?

Whilst not wishing to pre-empt discussion therefore it strikes me that trade sanctions are likely to be too little or too much.

I am copying this minute to members of OD, other recipients of OD(81)10, the Chief Whip and Sir Robert Armstrong.

W J B

Department of Trade
1 Victoria Street
London, SW1H 0ET

JB

4. March 1981