



PM/81/10

PRIME MINISTER

(2)

*Prime Minister*

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Contingency Planning About Poland

1. I should like to comment on the Trade Secretary's minute of 4 March.
  
2. The purpose of the contingency planning now taking place in NATO, about which officials in the Department of Trade and other interested departments have been consulted, is to identify a range of possible measures against the Soviet Union. NATO Ministers would meet shortly after any Soviet intervention in Poland, to decide which of the measures to implement in the light of the actual nature of such an intervention and of all other relevant circumstances. I should obviously wish to consult colleagues collectively before departing for the NATO meeting.
  
3. A Soviet intervention in Poland would be an extremely serious matter, and greatly against the interests of the West. You have said in public that it would mean the end of detente. We must be ready with our Allies to take concrete steps going well beyond those taken after the invasion of Afghanistan. Yet there is only a limited range of possible measures for demonstrating Western disapproval and trying to make the costs to the Soviet Union as high as possible. The list being drawn up in NATO consists of diplomatic moves (public statements, suspension of some arms control negotiations, action in the UN Security Council, avoidance of high level contacts and publicly visible bilateral events, temporary withdrawal of Ambassadors) and also economic measures. The most important of the latter is an embargo on exports to the Soviet Union. Exports under existing legally enforceable contracts, but not under framework agreements, would be exempted. We have been resisting pressure for a reference to the possibility of considering the inclusion of services under an embargo, but others may insist on a very general sentence about this in the NATO paper.



4. There is no doubt that an embargo on exports of goods under new contracts would hurt the Soviet Union considerably. In 1979, Soviet imports from the OECD countries were \$14 billion or 24.4% of all Soviet imports. The new Five Year Plan (1981-85) suggests that there is no intention of changing this general pattern. Some of the Soviet imports from the West, notably foodstuffs and certain types of technology, are of particular importance to the USSR. We calculate that British exports to the Soviet Union would fall by two thirds in the first six months of an embargo on new contracts and that the great majority of the remainder would cease within two years. French officials think that this would also apply approximately to their exports to the Soviet Union. The United States and Germany calculate that their exports would decline by two thirds within a year. Although I recognise that there would be a problem in choosing the time for lifting trade sanctions, there is probably no other measure which could have such a significant effect on Soviet interests.

5. While I note the Trade Secretary's point about the particular British dependence on overseas trade, I do not think that this applies in the case of trade with the Soviet Union. British exports in 1979 were \$694 million (0.17% of our GDP), in contrast to French exports of \$2007 million (0.35%) and German exports of \$3619 million (0.47%). (These are OECD figures: the British figure for UK exports was \$883 million or 0.22% of GDP, still well below the French and German figures.)

6. I quite agree with the Trade Secretary that action in this field should be undertaken in close cooperation with our allies. There are strong signs that the French and Germans accept on this occasion that serious measures against the USSR would be needed. Indeed, it was the French who introduced the proposal for an export embargo into the NATO discussion.



7. In the case of a lesser event in Poland, such as the use of force by the Polish authorities, I am inclined to think that economic measures against the Soviet Union would be an inappropriate Western response. The emphasis of our actions vis a vis the USSR would probably be to warn against outside intervention. But this too would be for decision at the time.

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

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(CARRINGTON)

Foreign and Commonwealth Office