

Ref: B06377

Prime Minister

Agree that I should write in the  
terms proposed by Mr. Wade-Serg.

MR COLES

c Sir Robert Armstrong

How much of the existing contracts? Some would assume Poland the whole is covered by A.S.C. 11

The proposals in Mr Richards' letter to you of 13th January are likely to raise problems for the Chancellor <sup>of the Exchequer</sup> and the Secretary of State for Trade.

2. The Chancellor's is a technical problem. It is a general rule that the United Kingdom share of expenditure from the European Community Aid Budget should be met from the Foreign and Commonwealth Office's PESC programmes (normally the Aid Programme). If therefore the Community decides to make available humanitarian aid to Poland, the Chancellor would look to the FCO to provide the United Kingdom share from within its existing programmes. How easy this would be would depend on the sums involved, which are not yet known. If they were large, and the cause still seemed good, Ministers might wish to authorise additional expenditure. But the Treasury, understandably, do not wish to sign a blank cheque at this stage.
3. The Secretary of State for Trade's problem is more substantive, but is not likely to lead to disagreement. He will wish to clarify a point which does not come out very clearly from Mr Richards' letter. Is it Lord Carrington's intention that the Government should have a chance of considering the British contribution to a package of measures against the Soviet Union against the background of what other allies are prepared to do? and that this consideration should take place before the "decisive session in NATO" and the public announcement which would follow it? I understand that the answers to these questions are Yes. Ministers will therefore have an opportunity to consider whether Britain is bearing its fair share and not more of the costs of an Alliance package; and whether, if the burden seems disproportionate (or there is no agreement within the Alliance), we should make a corresponding reduction in our effort or maintain it in the interests of solidarity with the United States. Ministers might also want to take into account at that stage the attitude of the American authorities to those firms, especially British firms such as John Brown, with substantial existing contracts for the Western Siberian gas pipeline.



4. You should also be aware that officials of the Department of Trade and ECGD have some reservations about Lord Carrington's proposal that the Soviet Union should be put in a higher category for the purposes of the OECD Export Credit Consensus (the main effect of which would be to raise by half a percent the minimum level of interest chargeable on officially guaranteed credits). But Mr Biffen is not expected to raise this question, which can probably be satisfactorily resolved at official level.
5. I attach a draft letter which, subject to the Prime Minister's views, and to the comments of Sir Geoffrey Howe and Mr Biffen, you may like to send to Mr Richards.

A handwritten signature in blue ink, appearing to read 'R L Wade-Gery'.

15th January 1982

R L WADE-GERY

DRAFT LETTER FROM MR COLES TO MR RICHARDS, FCO

Poland

The Prime Minister has seen your letter of 13th January and taken note of the further economic measures which Lord Carrington proposes that we should take. She assumes that Lord Carrington will ensure that there is an opportunity to consider, if necessary collectively, the measures to be taken by the United Kingdom in the light of what other members of the Alliance are prepared to do before any firm commitment or public announcement is made. In the light of what may be United States tactics over the gas pipeline, Lord Carrington may also wish to consider the possibility of a reverse linkage, whereby we might suggest to the Americans that it would be easier for us to put together what they would regard as an adequate package of measures if they were prepared to be helpful over existing contracts.

2. The Prime Minister has also noted the technical difficulties which might arise if any Community humanitarian assistance to Poland were attributable to the Community aid budget. She hopes that this problem can be resolved by the Departments concerned.

3. I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Industry and Trade and the Minister of Agriculture, and to Sir Robert Armstrong.

(This point is also referred to in Jonathan Keir's letter of 18 January which the Prime Minister has not yet seen)

ADL 18/1