

Ref: B06393



PRIME MINISTER

c Sir Robert Armstrong

OD: POLAND

BACKGROUND

Tomorrow's meeting will be the first time OD has considered Poland since the imposition of martial law. But the principal Ministers concerned were present at the ad hoc meeting under your chairmanship on 7th January which agreed on the line the Foreign and Commonwealth Secretary should take at the Ministerial meeting of the North Atlantic Council (NAC) on 11th January about Western counter-measures against both Poland and the Soviet Union. The communique after that meeting included a commitment on the part of the Allies not to undermine the national measures which the United States Government had announced on 13th December, immediately after the crack-down in Poland. The difficulty of reconciling this commitment with European determination to fulfil existing contracts, especially those relating to the West Siberian gas pipeline project, has since become increasingly apparent; but the two issues may still provide the basis for a deal. In response to further proposals from the Foreign and Commonwealth Secretary (Mr Fall's letter of 18th January to Mr Coles), you agreed (Mr Coles' letter to Mr Richards of 22nd January) that we should discuss with our partners the package of British counter-measures we have in mind; but that we should not commit ourselves to them until

- (a) the problem of existing contracts (including John Brown's £120 million contract for part of the pipeline project) was satisfactorily solved; and
- (b) Ministers were satisfied that our partners had broadly comparable measures in mind.

Neither of these points was clarified at a further meeting of the NAC (at official level) on 23rd January. But there is now strong American pressure for the Alliance response to the Polish situation to be settled at the regular meeting of the NAC scheduled for 3rd February, which will be

*(Not attached but available if wanted).*

*See Mr. Haig's message of today (attached).  
A.J.C.*



devoted to this issue; and there are also signs that the Americans are thinking of announcing further national measures of their own. The French and Germans seem less inclined than we are to try to support the Americans. The danger of a serious and public split in the Alliance is therefore becoming acute.

2. Against this background the Foreign and Commonwealth Secretary wants OD to consider what international compromise we might be able to work out urgently over the next few days, both in order to save existing European contracts like John Brown's and in order to present a tolerably united Alliance front. His Private Secretary will be circulating a letter setting out the political background and the points on which, in his own absence, the Lord Privy Seal will be seeking the Committee's guidance. There is interdepartmental agreement at official level that the Committee need only focus on three aspects of the problem at this stage, of which the second and third are matters of report but the first involves a substantial difference of opinion between the Foreign and Commonwealth Office and the Department of Trade.

(i) Existing contracts and not undermining.

We have taken the lead in responding to American hints of a possible deal whereby the European allies would undertake to interpret their commitment not to undermine the existing United States measures in terms acceptable to the Americans, who in return would allow the release of United States know-how and equipment required for the fulfillment of existing European contracts. We have in mind a particular interpretation of not undermining, which is agreed interdepartmentally and which we are seeking to sell to the French, Germans and Italians. But meanwhile the Americans, on whom we have tried it, are insisting that it does not go far enough. This presents us with a dilemma. The Foreign and Commonwealth Office want to offer a more forthcoming interpretation, in the hope of saving both Alliance unity and the John Brown contract. The Department of Trade believe Alliance unity unattainable unless the Americans can be persuaded at a high level to accept our existing offer; and would rather sacrifice John Brown than interpret not undermining in a way which would



a veto on  
 give the Americans too many future contracts with the Soviet Union.  
 The Lord Privy Seal will therefore be arguing for the bird in the hand  
 (John Brown) and the Secretary of State for Trade for the bird in the  
 bush (future East-West trade).

(ii) Broadly comparable measures

It is still too early to judge whether the packages of measures being  
 contemplated by our allies are sufficiently comparable to our own. But  
 it will be necessary to take a view on this by the time the NAC meets on  
 3rd February. The Lord Privy Seal will be circulating recommendations  
 before then, and collective discussion may be necessary (eg on 2nd February)  
 if these are not generally acceptable to his colleagues.

(iii) The link between (i) and (ii)

We and our European allies will need satisfaction on existing contracts  
 before we can agree to any package of measures; and the more we have to  
 promise on not undermining the less case there will be for maximising  
 our other measures. What happens under (ii) will therefore depend  
 partly on what happens under (i); and this is how our European allies  
 will also see it.

#### HANDLING

3. The Lord Privy Seal and the Secretary of State for Trade should each  
 be invited to state their case, in that order. This should make clear  
 that only point (i) above is currently in dispute. The Secretary of State  
 for Industry (who has been invited to attend the meeting) will wish to  
 comment on the relative industrial importance of the bird in the hand and  
 the bird in the bush; and the Chancellor of the Exchequer will have views  
 on the wider economic implications of the choice, both domestically for  
 the United Kingdom and in terms of relations with the Americans. You  
 will then wish to probe the Lord Privy Seal's views on how likely we are  
 to be able to carry our European allies if we try to go further towards  
 the Americans on not undermining; and the Secretary of State for Trade's  
 views on how important future Soviet contracts are likely to be, given  
 the chilly state of East-West relations.



4. On point (ii), the Minister of Agriculture, who has also been invited to the meeting, may wish to query the way in which the licensing of factory ships might be used to discriminate against the Soviet Union. His concern (shared on grounds of principle by the Secretary of State for Trade) is that we should not revoke licences once issued, because this would be to break existing contracts. But it is possible that he may have been able to resolve this difficulty satisfactorily with the Lord Privy Seal before tomorrow's meeting.

#### CONCLUSION

5. The Committee are likely to accept that the Lord Privy Seal should be the best judge of what our allies are likely to settle for. You may therefore be able to secure general agreement that he should explore his further ideas on point (i), both with our main European partners and with the Americans, but without commitment until the shape of a possible deal becomes clearer.

6. On that basis, the Lord Privy Seal could be invited to minute his colleagues further on 1st February, setting out his final recommendations on points (i) - (iii), in time for clearance out of committee (or if necessary another meeting) before the NAC meeting on 3rd February; unless by then the Americans have agreed that the moment of decision can be further postponed in the interests of maximising unity.

27th January 1982

R L WADE-GERY