

SECRET *at Home*
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FROM CABINET OFFICE LONDON
TO WHITE HOUSE
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MISC 038
C O N F I D E N T I A L

HIS EXCELLENCY MR RONALD REAGAN,
PRESIDENT OF THE UNITED STATES,
WHITE HOUSE,
WASHINGTON

f.a.
M/2.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. *T 15/82*

DEAR RON,

I WAS MOST GRATEFUL TO AL HAIG FOR REARRANGING HIS PLANS AT SHORT NOTICE TO CALL IN HERE TODAY. IT GAVE US AN INVALUABLE OPPORTUNITY TO HEAR FROM HIM HOW HE HAD GOT ON IN GENEVA AND IN THE MIDDLE EAST: AND WE WERE ABLE TO HAVE A GOOD DISCUSSION OF THE POLISH SITUATION.

I KNOW THAT AL WILL GIVE YOU A FULL ACCOUNT OF OUR TALK: BUT I THOUGHT NEVERTHELESS THAT I SHOULD SEND YOU THIS PERSONAL MESSAGE, TO UNDERLINE MY DEEP CONCERN AT THE DANGER THAT THE UNITY OF THE WESTERN ALLIANCE COULD BE SERIOUSLY DAMAGED BY THE CURRENT DIFFERENCES OVER HOW TO REACT TO THE REPRESSION IN POLAND.

WE MUST AT ALL COSTS AVOID A DEMONSTRATION OF DISUNITY IN THE ALLIANCE WHICH WOULD GIVE MOSCOW A FIRST CLASS PROPAGANDA VICTORY AND IMPAIR OUR EFFORTS TO CHECK FURTHER ADVENTURISM ON THEIR PART IN THE FUTURE. WE MUST ALSO AVOID MEASURES WHICH WOULD DO MORE HARM TO THE WEST THAN TO THE SOVIET UNION.

I HAVE TAKEN A CLOSE INTEREST IN THE PREPARATION OF A PACKAGE OF BRITISH MEASURES BOTH TOWARDS POLAND AND TOWARDS THE SOVIET UNION. WE HAVE ALREADY SAID IN NATO THAT WE WOULD BE WILLING TO TAKE A NUMBER OF MEASURES AS PART OF AN ALLIED REACTION TO COMPLEMENT YOUR OWN RESOLUTE STAND, PROVIDED THAT WE CAN ALL AGREE ABOUT NOT UNDERMINING EACH OTHER'S MEASURES.

THE MEASURES WHICH THE UNITED KINGDOM HAS TAKEN, OR WOULD IN PRINCIPLE BE WILLING TO TAKE, INCLUDE:

TOWARDS POLAND: RESTRICTIONS ON POLISH DIPLOMATIC MISSIONS, INCREASED BROADCASTS, ALREADY BEGUN, TO POLAND: SUSPENSION OF COMMERCIAL CREDIT EXCEPT FOR CONTRACTS ALREADY CONCLUDED: THE PLACING IN SUSPENSE OF NEGOTIATIONS ABOUT DEBT RESCHEDULING FOR 1982: THE SUSPENSION WITH OUR PARTNERS IN THE EUROPEAN COMMUNITY OF FOOD EXPORTS AT SPECIALLY SUBSIDISED PRICES: AND INCREASED HUMANITARIAN AID TO THE POLISH PEOPLE.

TOWARDS THE SOVIET UNION: SIGNIFICANT NEW RESTRICTIONS ON SOVIET DIPLOMATS: REDUCED ACTIVITY UNDER TECHNICAL CO-OPERATION AGREEMENTS: CLEAR EXPOSURE IN THE MADRID REVIEW CONFERENCE OF SOVIET COMPLICITY IN THE REPRESSION IN POLAND: READINESS TO MOVE WITH OUR EUROPEAN COMMUNITY PARTNERS TO INCREASE THE INTEREST RATES ON EXPORT CREDIT AND TO RESTRICT CERTAIN IMPORTS FROM THE SOVIET UNION: TERMINATION, IN CONCERT WITH OTHERS, OF OUR BILATERAL MARITIME AGREEMENT: AND NEW RESTRICTIONS ON SOVIET FACTORY SHIPS.

I AM SURE THAT OUR JOINT OBJECTIVE NOW SHOULD BE A CREDIBLE AND UNITED ALLIED POSITION, TO DEMONSTRATE OUR REJECTION OF MARTIAL LAW AND OF THE SOVIET HAND IN IT. WE MUST NOT ALLOW THE SOVIET CRISIS IN POLAND TO BRING ABOUT A CRISIS IN THE WESTERN ALLIANCE WHICH WOULD SUIT ONLY SOVIET PURPOSES.

I KNOW YOU AGREE WITH THIS AIM. THE QUESTION IS HOW TO ATTAIN IT. I CAN WELL UNDERSTAND WHY SOME OF YOUR PEOPLE MAY BE GROWING IMPATIENT AND THINKING OF A SECOND SET OF AMERICAN MEASURES AGAINST THE SOVIET UNION. MY FEAR IS THAT FURTHER MEASURES TAKEN UNILATERALLY WOULD NOT CARRY THE ALLIES WITH THEM BUT WOULD GREATLY DEEPEN AND EXPOSE THE DIVISIONS WITHIN THE ALLIANCE. THAT COULD ADVANCE SOVIET INTERESTS MORE THAN YOUR NEW MEASURES WOULD SET THEM BACK. I HOPE THEREFORE THAT YOU WILL FEEL ABLE TO HOLD BACK ON FURTHER MEASURES UNTIL WE HAVE THOROUGHLY EXPLORED THE POSSIBILITY OF A UNITED ALLIED POSITION.

I UNDERSTAND THAT NEW MEASURES UNDER CONSIDERATION IN WASHINGTON MAY INCLUDE STEPS SUCH AS DENUNCIATION OF THE 1981 AGREEMENT ON RE-SCHEDULING POLISH DEBT, WHICH WOULD LEAD TO A POLISH DEFAULT. BUT THE IMMEDIATE EFFECT OF THAT WOULD BE THAT THE POLES WOULD GIVE UP THEIR PRESENT EFFORTS TO MAKE SUCH PAYMENTS AS THEY CAN UNDER THE RESCHEDULING ARRANGEMENTS, EITHER TO WESTERN GOVERNMENTS OR TO WESTERN BANKS. THAT IN TURN WOULD TAKE PRESSURE OFF THE SOVIET UNION TO HELP THEM. ON THE OTHER SIDE, THE EFFECTS ON THE INTERNATIONAL BANKING SYSTEM WOULD BE UNPREDICTABLE, AND PROBABLY VERY SEVERE, PARTICULARLY IF OTHER DEFAULTS FOLLOWED. THESE EFFECTS WOULD CERTAINLY NOT BE CONFINED TO EUROPE. THE DAMAGE TO THE WEST COULD BE AT LEAST AS GREAT AS THE DAMAGE TO THE SOVIET UNION. THE HEALTH OF THE INTERNATIONAL FINANCIAL SYSTEM IS A WESTERN, NOT A SOVIET INTEREST. THEY HAVE EVERY REASON TO REJOICE IF IT IS IMPAIRED.

WHAT WE NEED NOW IS A REASONABLE SET OF MEASURES, JOINTLY AGREED. THIS IS THE DIRECTION IN WHICH WE SHOULD ALL BE WORKING. MY OWN VIEW IS THAT THE MOST PROMISING BASIS FOR AGREEMENT WOULD BE AN ARRANGEMENT WHEREBY THE EUROPEAN ALLIES TOOK MEASURES COMPARABLE TO YOURS, BOTH IN THEIR EFFECTS ON THE SOVIET UNION AND IN THEIR DOMESTIC IMPLICATIONS, AND TOOK POSITIVE ACTION TO MEET THEIR COMMITMENTS NOT TO UNDERMINE YOUR MEASURES WITH RESPECT TO FUTURE CONTRACTS, WHILE EXISTING EUROPEAN CONTRACTS WOULD GO AHEAD. I REALISE THAT THIS LAST CONSIDERATION IS A DIFFICULT ONE FOR YOU. BUT THE FRENCH, GERMANS AND ITALIANS CANNOT AND WILL NOT GIVE UP THE GAS PIPELINE PROJECT, WHATEVER ONE MAY THINK OF ITS MERITS. WE TOO HAVE IMPORTANT CONTRACTS AT STAKE, NOTABLY ONE HELD BY JOHN BROWN ENGINEERING, THE CANCELLATION OF WHICH WOULD CAUSE ADDITIONAL UNEMPLOYMENT. AN ACCOMMODATION ON EXISTING CONTRACTS IS THEREFORE ESSENTIAL TO ALLIED UNITY OVER POLAND.

YOUR MEASURES OF 29 DECEMBER SENT A CLEAR SIGNAL TO THE SOVIET UNION WITHOUT SERIOUSLY COMPROMISING YOUR OWN INTERESTS. WE SHOULD ALL BE FOLLOWING SUIT. ALTHOUGH THE NATO DISCUSSIONS HAVE SO FAR BEEN FRUSTRATINGLY SLOW, IT SHOULD SURELY BE POSSIBLE, IF YOU COULD MOVE ON EXISTING CONTRACTS, FOR THE REST OF US, TO REACH AGREEMENT ON MEASURES COMPARABLE TO YOURS. WE SHOULD LOOK RESOLUTE AND UNITED: AND WE SHOULD STILL HAVE SOME SHOTS LEFT IN OUR LOCKERS.

I SUGGESTED TO AL HAIG THAT THE BEST APPROACH NOW WOULD BE FOR THE US TO ARRANGE SECRET CONSULTATIONS IN THE VERY NEAR FUTURE BETWEEN SENIOR OFFICIALS FROM THE ALLIED COUNTRIES MOST CLOSELY CONCERNED—YOU, US, THE FRENCH, THE GERMANS, AND I THINK IN THIS CASE THE ITALIANS. THIS SHOULD ENABLE US TO MAKE PROGRESS AT THE NATO MEETING ON 3 FEBRUARY. BUT I THINK THAT A FURTHER NATO MEETING MAY WELL BE NEEDED A FEW DAYS AFTER THAT.

IT WILL ALSO BE IMPORTANT TO CARRY THE JAPANESE AND OTHERS IN OUR PLANS. IT WOULD NOT BE TOLERABLE TO ASK OUR OWN INDUSTRIES TO FORGO OPPORTUNITIES ONLY TO SEE THEM SEIZED BY JAPAN.

WE HAVE THE OPPORTUNITY TO SHOW THE SOVIET UNION A FIRM UNITED FRONT. WHAT WE CAN ACHIEVE TOGETHER IN THIS CAN GIVE US A LASTING BOOST TO ALLIED UNITY AND A SETBACK TO SOVIET AMBITIONS. WE HAVE EMBARKED ON THIS COURSE AND SHOULD MAKE EVERY POSSIBLE EFFORT TO CARRY IT THROUGH TO A SUCCESSFUL CONCLUSION. THE CRISIS IN POLAND LOOKS LIKE BEING A PROLONGED ONE. WE RISK LOSING THE PRIZE IF WE ACT HASTILY OR OUT OF STEP.

WITH WARM PERSONAL REGARDS,
MARGARET.

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